

REPORT
ON
VICTORIAN
COMMUNITY EMPLOYMENT
WORKSHOP

held at

SCHOOL OF MINES AND INDUSTRIES, BALLARAT

23rd/24th MAY, 1981

V I C T O R I A N

COMMUNITY EMPLOYMENT CO - OPERATIVES

WORKSHOP

held at

SCHOOL OF MINES AND INDUSTRIES, BALLARAT

23RD/24TH MAY 1981

Sponsored by:

Department of Employment and Training
Government of Victoria

Organised and administered by:

The Co-operative Federation of Victoria
G.P.O. Box 5211 AA, Melbourne, Victoria

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COMMUNITY EMPLOYMENT CO-OPERATIVES

WORKSHOP

BALLARAT - 23RD/24TH MAY 1981

P R O G R A M M E

CHAIRMAN: CHEZ DICHIERA - CHAIRMAN, BALLARAT EMPLOYMENT CO-OPERATIVE.

SATURDAY, 23RD MAY 1981

1. 9.45 a.m. Registration and Assembly
2. 10 - 10.15 a.m. Formal Opening -
Councillor Ian Clarke, Mayor of Ballarat
3. 10.15-10.35 a.m. Victorian Co-operative Development Programme
- Paper presented by David Griffiths,
Department of Employment and Training.
4. 10.35-11.00 a.m. Registry requirements of Employment Co-operatives
- Paper presented by Kerry Nolan,
representing Registrar of Co-operative
Societies.
5. 11.00-11.45 a.m. Employment Co-operative Development in
New South Wales
- Paper 1 presented by Michael Donovan
representing Dept of Youth and
Community Services.

- Paper 2 presented by Patricia Carraro,
Administrator, Newcastle Work
Co-operative.
6. 11.45 a.m.-1 p.m. Discussion groups to consider Items 3, 4 and 5.

7. 1 p.m. - 2 p.m. LUNCH

- 8. 2 p.m.-3 p.m. A systematic approach to starting a business and how to establish a simple effective book-keeping system.
- Paper presented by
Jim Dixon, B.Com., B.Ed., M.B.A.,
A.A.S.A.(Senior), M.A.C.E.
- 9. 3 - 3.45 p.m. Identifying, exploring and developing market opportunities for small businesses.
- Paper presented by
Paul Littman,
Managing Director,
The Ideas Factory Pty. Ltd.
- 10. 4 p.m.-5 p.m. Discussion groups to consider Items 8 and 9.
- 11. 5 p.m.-6 p.m. Plenary session
- Feed-back from Discussion groups with the day's speakers present.
- 12. 7 - 7.30 p.m. Pre-Dinner Drinks
- 13. 7.30-9 p.m. DINNER - Staff Room, School of Mines and Industries.
- 14. 9 - 11.30 p.m. At the Ballarat Y.M.C.A. -
Social Evening with Band
"The Electric Fence"

Refreshments at own expense.

SUNDAY, 24TH MAY 1981

15. 9.30-10.15 a.m. Philosophy and application of Co-operative Principles-the basis for Community Employment Co-operatives.
- Paper presented by Neville Stern, Brunswick Work Co-operative.
16. 10.15-11.00 a.m. Co-operative operations in Victoria and Australia with comments on the international Co-operative scene.
- Paper presented by Bill Rawlinson, Co-operative Federation of Victoria.
17. 11.15-12 noon Open Discussion: Leader - Mr. Michael Donovan
"How do Community Employment Co-operatives become viable business organisations"
18. 12 - 1 p.m. Plenary Session
Recommendations and Workshop summary.
19. 1 p.m. Workshop ends.
-

COMMUNITY EMPLOYMENT CO-OPERATIVE WORKSHOP

B A L L A R A T

CO-OPERATIVE/GROUPS REPRESENTATIVES

1.	<u>BAIRNSDALE UNEMPLOYMENT RESOURCES GROUP</u>	INGHAM, SPIZZICA,	Andrew David
2.	<u>BALLARAT EMPLOYMENT CO-OPERATIVE</u>	DICHIERA, FLYNN, GILL,	Chez Liz Tony
3.	<u>BOOTSTRAP TRADING CO-OPERATIVE</u>	ANDERSON, MUNSTER, RASSMUSSEN, SCARCE, WHITE,	Brian Judy Norm Debbie Terry
4.	<u>BOX HILL WORKFORCE CO-OPERATIVE</u>	HEMPHILL, HEMPHILL, SONDER,	Barbara Bill Larry
5.	<u>BROTHERHOOD ST. LAURENCE, NEIGHBOURHOOD EMPLOYMENT DEVELOPMENT PROGRAMME</u>	CLEARY,	John
6.	<u>BRUNSWICK WORK CO-OPERATIVE</u>	CLIFFORD, CLUTTERBUCK, HAMMOND, STERN, WEBSTER,	Christine Bob Barbara Neville Des
7.	<u>CANBERRA CENTRE FOR CONTINUING EDUCATION</u>	BRENNAN, CAVANAGH,	Tom Annie
8.	<u>COLAC C.Y.S.S.</u>	TAYLOR,	Cynthia
9.	<u>DO-IT CO-OPERATIVE</u>	PENNINGTON, SILVER,	Caroline Suzie
10.	<u>ECUMENICAL MIGRATION CENTRE</u>	JAMIESON, KOYUNDGLU,	Priscilla Gunay
11.	<u>FOOTSCRAY TECHNICAL COLLEGE TRANSITION COURSES</u>	NEWBERRY, WARREN SMITH,	John Doug
12.	<u>KYNETON C.Y.S.S.</u>	HINDLE,	John
13.	<u>LOCH ARD CO-OPERATIVE</u>	CAREY, DUNCAN, RODGERS, WEARNE,	Sally Rod Gary Greg

14.	<u>MARYBOROUGH PRODUCERS & RECYCLING CO-OPERATIVE</u>	ALLISTON, DOYLE, WRIGHT,	Rob John Leonie
15.	<u>SHERBROOKE CO-OPERATIVE WORKSHOP</u>	BEER, DERRICK,	Richard Leonard
16.	<u>SPA CENTRE ARTS CO-OPERATIVE</u>	LEE, PARSONS, GREY,	Beverley Peter Fran
17.	<u>SPECIAL PROJECTS FOR ACTIVITIES, CRAFTS EMPLOYMENT (S.P.A.C.E.)</u>	EASTON,	Bruce
18.	<u>TERANG C.Y.S.S.</u>	LAURIE,	Sandra
19.	<u>TURKISH WOMEN'S ASSOCIATION</u>	WILLIAMS,	Judy
20.	<u>WARRAGUL WORKSHOP</u>	RICHARDSON,	Bill
21.	<u>WARRANTYTE COMMUNITY WORKSHOP CO-OPERATIVE</u>	DAWSON, TERMORSHUIZEN,	Theresa Sidney
22.	<u>WESTERN YOUTH WELFARE SERVICES</u>	KING,	Ray
23.	<u>WORCO</u>	COOGAN, LLEWELYN,	Dr. Clive Max
24.	<u>DEPARTMENT EMPLOYMENT & TRAINING</u>	GRIFFITHS,	David
25.	<u>N.S.W. DEPT. YOUTH & COMMUNITY SERVICES</u>	CARRARO, DONOVAN,	Patricia Michael
26.	<u>CO-OPERATIVE FEDERATION OF VICTORIA</u>	RAWLINSON,	Bill
27.	<u>SPEAKERS</u>	DIXON, LITTMAN,	Jim Paul
28.	<u>OBSERVER</u>	GREER,	Brian

THE CO-OPERATIVE DEVELOPMENT PROGRAM

Paper presented by David Griffiths
to

Community Employment Co-operative Conference
Ballarat, 23--24 May 1981

What I propose to do in this paper is to briefly consider the history and nature of community employment co-operatives in Victoria and, then, outline the Victorian Government's response to these co-operatives.

Increasingly, more and more local communities are looking towards local responses to employment and training issues. Various local groups have, for instance, responded by establishing community employment co-operatives. A community employment co-operative can be defined as a business organization established, owned and controlled by the local community which adopts a co-operative legal entity. Co-operatives have been or are being established in Ballarat, Box Hill, Brunswick, Donvale, Essendon, Hawthorn, Maryborough, Nunawading, Sherbrooke, Warrandyte and Warrnambool.

The assumptions that have led to the establishment of community employment co-operatives include:*

- a. The belief that the labour needs of the traditional private and public sectors are decreasing.
- b. Some employed and unemployed people are looking for alternative work - alternative to traditional jobs in the public and private sectors.
- c. The belief that jobs in the public and private sectors are becoming increasingly institutionalised, de-skilled and bureaucratised.
- d. Dissatisfaction with the actual and/or perceived experience of existing education, training and support programs to either produce employable labour and/or employment.

*The observations that follow are drawn from a study prepared in a consultant capacity by the author between May and September 1980. The author was employed as a consultant by the Youth Council of Victoria and funded by the Victorian Employment Committee.

- e. The belief that small business enterprises and co-operatives are more responsive to the social needs of individuals than large enterprises because they are people rather than profit oriented.
- f. The belief that co-operatives provide a congenial framework for a work experience and/or education/training and/or welfare and support program for the unemployed.
- g. State support for the establishment of co-operatives and small business enterprises - particularly the NSW Government's \$3 million co-operative program and the SA Government's Self-employment Venture program.
- h. The compatability of co-operatives and small business enterprises with disparate and contradictory ideologies.
- i. The belief that small businesses and co-operatives will provide opportunities for the few achievement-oriented entrepreneurial unemployed who would otherwise would not have these opportunities.
- j. The belief that the solution to unemployment lies in the private sector and that small businesses and co-operatives are part of the private sector.
- k. The Belief that co-operatives and/or small businesses are ideologically and socially preferable to big business.
- l. The belief that the co-operative minimises/eliminates/transcends union-management conflict.
- m. The despair of some of the unemployed who try co-operatives and small businesses as a last/another way of finding jobs.

Given this complex and divergent interplay, it is not surprising that all the co-operatives suffer from the perennial problem of how to build a co-operative that both achieves its objectives and economically survives. Within and between co-operatives there is no unanimity on such questions as worker control of the

co-operatives, the long-term future of the co-operatives, the business orientation of the co-operatives, the eventual scale of the co-operatives and the involvement of the community. These unresolved issues are inevitable when participants in co-operatives have different and disparate goals and assumptions. These different assumptions are, in turn, subject to a series of inter-related internal and external variable.

1. Economic: The general and specific economic context of the enterprise. The unemployment situation. The success or otherwise of other solutions. The proposed activities of the co-operatives and small business enterprises.
2. Political: The political acceptability and perceived relevance of co-operatives and small businesses. The public and private attitudes and behaviour of influential individuals and groups.
3. Social: The social composition of the community in which the co-operative and small business is to be established.
4. Adminis-
trative/
Organis-
ational: The competence, actual and perceived of the individuals involved in the co-operative and/or small business. The capacity of the business to deliver goods and services. The visibility and businesslike nature of the enterprise.
5. Ideal-
ogical: The ability of participants in the enterprise to develop, understand and implement a coherent and systematic co-operative ideology.
6. Commitment: The actual and perceived contribution of participants and the community to the co-operative and/or small business.

In a situation of newness, divergent viewpoints and inadequate resources which compel pragmatism, it is inevitable that the

co-operatives reflect and reinforce at the same time remedial and developmental tendencies. Both thrusts exist within all the co-operatives and the dominance of one thrust over the other is dependent on changing circumstances.

REMEDIAL CHARACTERISTICS

DEVELOPMENTAL CHARACTERISTICS

Business tokenism	Business commitment
Inefficiency	Efficiency
Incompetence	Competence
Transitory	Exemplary
Confused goals	Clarified and clear goals
Multi-functional	Few functions or one function
Short-term	Long-term
Temporary jobs	Permanent jobs
Casual/part time jobs	Full time jobs
Caring ideology	Co-operative ideology
Laissez faire administration	Democratic administration
Small technology	Appropriate technology
No relationship with unions	Relationship with unions
Helping unemployed	Solving unemployment

There is a view that the co-operatives are transitory organizations - that they serve a short-term purpose and will be short-lived.

This transitory orientation affects the assumptions of the co-operative participants and the community. It militates against the possibility that the co-operatives could themselves provide or lead towards a permanent and long-term solution to unemployment. The continued reliance on casual work is indicative of this view. But, so is also the view that the co-operatives are providing a congenial environment for the unemployed to psychologically recuperate. While a congenial environment can have real political and economic significance, such views confirm the notion that participants will move from the co-operative to something else.

The transitory orientation of the new co-operatives is derived from their transitory situation. A series of inter-related factors confirm the transitory nature of the co-operatives.

Ideological:

Because of the divergent interests and views of co-operative participants the ideological orientation of the co-operatives is undermined and unresolved.

Economic:

The brief history and limited resources of the co-operatives makes their whole existence and continuation fragile and extremely transitory. "We're in a situation of marginal viability", and "We are in our darkest hour".

Goals and functions:

Because of ideological differences and their economic uncertainty the goals and functions are in a state of transition.

Products and services:

Because of inadequate planning and limited resources mixed services and products are being promoted within the co-operatives. Yet, very few co-operatives have succeeded with mixed products and resources.

The prime determinant of this transitory nature is circumstances rather than choice.

The Government response

At the Work for Tomorrow Conference in December 1978, the Premier, the Honourable R.J. Hamer, E.D., M.P., announced that "several suggestions have been made about supporting the establishment of new small businesses, often on a co-operative basis, for unemployed young people. The government is prepared to fund three appropriate pilot schemes and the Victorian Employment Committee will be asked to prepare guidelines, and later to review and evaluate these schemes after a period to determine whether they are an effective way of creating new jobs."

Early in 1980 the Victorian Employment Committee commissioned a study of and consultation process with community employment co-operatives. Co-operatives in Box Hill, Maryborough and

Warrnambool were also being funded on an experimental basis. In September 1980, the commissioned report was presented to the VEC and in December 1980, the VEC approved and recommended the adoption of a Co-operative Development Program. Subsequently, the Co-operative Development Program was established by the Victorian Government in April 1981.* As of 20 May 1981, five co-operatives were being operated under the Program - Brunswick Work Co-operative, Box Hill Workforce Co-operative, Loch Ard Trading Co-operative, the Bootstrap Producers Co-operative, and the Maryborough Producers and Recycling Co-operative.

The Co-operative Development Program is a business-oriented approach to employment. Established and intending co-operatives that are simply training, employability or support-oriented will not be eligible for funding under the Program.**

Established and intending co-operatives will have to demonstrate a capacity to become self-sufficient business enterprises. While such projects may improve employability and provide training and support for the unemployed these functions must not be inconsistent with the projects' becoming self-sufficient business enterprises. The Co-operative Development Program is a specific funding program. It is not a program which provides funding for any activities of any co-operative.

*Media release, Minister for Employment and Training: Co-operative Development Program, 26 April 1981.

**Training oriented -

where the emphasis is on providing the unemployed with training opportunities which will lead to employment opportunities.

Employability oriented -

where the emphasis is on providing the unemployed with opportunities to improve their employability in the labour market.

Support oriented -

where the emphasis is on providing the unemployed with economic, psychological and practical support.

Business oriented -

where the emphasis is on supporting existing businesses and/or establishing new business.

There will be no guaranteed continuing funding under the Program. Co-operatives funded will have to continue to meet the funding conditions and, in particular, demonstrate a move towards economic self-sufficiency. Because of limited funds, moreover, there will also be a need to consider which co-operatives demonstrate the most potential in the attainment of self-sufficiency and the number of jobs created. Other considerations will also be an adequate range of co-operatives - geographically and demographically.

In what follows the funding conditions are listed and an indication is given of the assumptions and considerations behind these conditions.

1. Registration and continued meeting of the requirements of registration

A co-operative has to be registered under the Co-operative Act 1958 and, in order to remain registered, it must continue to meet the requirements of registration. A group that fails to become registered or which jeopardises continued registration jeopardises its funding.

2. A real understanding of co-operative principle and practice

Co-operatives are a particular form of business enterprise and are expected to adhere to the principles of co-operation:

Voluntary and open or bond membership

One person one vote

Surplus or savings belong to members - either in the form of collective reserves for future development or as distributed to individual members in proportion to the support each has given to the co-operative

Interest payable on shares is limited by shares

Education of members

Under the Program, a co-operative would be expected to demonstrate that it is educating its members and co-operating with other co-operatives

3. Acceptance and observance of all relevant responsibilities as employers required under Commonwealth and State legislation and regulations. The onus is on the co-operative to know and observe relevant legislation and regulations.

Funded co-operatives are expected to operate as any other business enterprise. As an employer, for instance, a co-operative is obligated to ensure that there is adequate supervision, that there is proper and safe plant and appliances, that there is a safe means of access to work, and that there is a safe system for conducting work. Co-operatives are required to understand that the way they produce a good or service, the way they sell, the way they advertise and the claims they make about products and services come under the law. The fact that they are community co-operatives does not place the co-operative above and/or beyond the law.

4. The establishment and maintenance of adequate financial records supervised by a qualified accountant. Banking, financial and money management details should be fully disclosed.

An adequate and accurate system of financial records is essential to any business enterprise. These records enable a comparison of past projections with results and, therefore, enable the preparation of a forecast for the future. These records provide a basis for management action to achieve policy and/or provide the basis for any necessary revisions.

5. Grants and/or loans will only be used for the stipulated purposes. A formal application will have to be made to the Funding Committee for any approval to alter use of monies allocated for specific purposes.

Co-operatives are expected to make a careful business assessment of their specific grant and loan needs. These assessments are prepared with the help of the co-operative adviser and, when appropriate, with business consultants. By the time the co-operative's application for funding is received the specified funding request should be clearly established. Grants and loans under the Program are not block grants which can be used for any purposes.

6. All costs must be built into pricing structures

Any business venture must be able to cover expenditure with income. In looking at different products and/or services, it is necessary to look at expected income from these and the costs of producing the products and/or services. Estimating operating costs is critical. Estimated costs should be real costs and include such things as wages, electricity, water, transport, taxation, depreciation, cost of raw materials, advertising, workers' compensation and insurance. Co-operatives should avoid unreal costing based on voluntary labour and calculated risks that would be totally unacceptable in any serious business enterprise.

7. Acceptance of the need for full accountability to the Funding Committee through:

- . monthly cash flow statements, balance sheets and profit and loss statements
- . copies of all Board minutes and any associated documents considered by the Board
- . quarterly reports indicating the extent to which the goal of self-sufficiency is being attained
- . normally, audited statements on the use of previous loans and grants will be required prior to any refunding

Full accountability is required. Co-operatives are in receipt of substantial amounts of taxpayers money and it is incumbent on the Ministry of Employment and Training to ensure cost-effectiveness. Provision of this information will also enable the Co-operative Adviser, the Ministry, and the Funding Committee to monitor the progress of funded co-operatives and, if necessary, initiate preventative action.

8. The demonstrated and continued contribution and initiatives of initiators and supporters including the active and substantial involvement of the unemployed in all phases of the co-operative and of people with necessary managerial skills and competence

Any business venture requires skilled management and this means it is necessary to find capable and competent people

who can act as directors and managers of co-operatives. Without good management a co-operative would not be able to perform satisfactorily. A good management of a co-operative should understand business principles and practices, understand the nature of co-operative business enterprises, be able to establish short- and long-term goals, develop plans for the implementation of these goals and set up controls to ensure the plans are carried out. The program has been established because it is considered that community employment co-operatives could provide employment opportunities for the unemployed and, therefore, it is essential that the unemployed are involved in all phases of the co-operative. The unemployed need to be significantly involved in community co-operatives to justify the expenditure of the funds.

9. The capacity to successfully carry out stated objectives, and the feasibility of these proposed/actual activities within available resources and time frame

Funding will not be available to groups who propose activities that quite clearly cannot be carried out with available resources and within the stated funding period.

10. The capacity to become economically self-sufficient within a three-year period

Within the context of encouraging self-sufficiency and discouraging dependency, co-operatives must be free to develop a successful business enterprise which recognises a necessary lead time. It is envisaged that funding under the Program will only be available for a period of three years from the inception of the Program. The purpose of the Co-operative Development Program is to examine whether or not community co-operatives could become self-sufficient business enterprises.

11. The existence of or acceptance of the need for a feasibility and/or market study and/or the existence of tried business areas

It is undesirable that groups should be funded just because they want to form a co-operative and just because they want to do something. It will be a requirement of funding that the

group has a demonstrated and proven capacity and has either undertaken or is willing to accept the need for a feasibility study. The feasibility study will cover the need for the business, products and services, management needs, financing the business and community resources.

12. An emphasis on labour rather than capital intensity activities

As the point of the Program is to increase employment opportunities, preference will be given to labour rather than capital intensive activities.

13. Subject to market conditions, an emphasis on activities that do not compete unfairly with existing business enterprises

It will be necessary to ensure that funded co-operatives do not have an unfair competitive advantage over similar business enterprises. The purpose is to increase employment opportunities and not to recycle those opportunities.

14. The nature and future economic relevance of the actual/proposed goods produced and services provided

There is little point in funding co-operatives which produce goods and provide services for which demand is low and/or declining and when this is irreversible. It will be necessary, therefore, to identify growth areas such as tourism, the leisure industry, business services, energy and conservation, and quality goods and services.

15. Defined, specified and few objectives and an emphasis on a few stable single products or services

There are two interdependent factors involved - the need to maximise the resources available under the Program and the need for co-operative business enterprises to concentrate their resources on achievable targets.

While co-operatives will normally have to adhere to these conditions to become and remain eligible for funding, allow-

will be made for the specific circumstances of the unemployed involved in co-operatives and the necessary lead time for their establishment as self-sufficient business enterprises.

The role of the Co-operative Adviser and the contracted business consultants will be critical and, therefore, it is appropriate to comment on each of these.

The Co-operative Adviser will be employed by the Co-operative Federation of Victoria and will be exclusively used to advise community employment co-operatives. The adviser will attend meetings of the Funding Committee and present reports to the committee. While accountable to the community employment co-operatives, the adviser will be responsible for influencing the funding of these co-operatives.

It is important to stress that the Co-operative Adviser is an adviser and not a consultant. It is expected, therefore, that the adviser will advise co-operatives on what constitutes the most desirable business decision. A consultant's role is one that tends to prefer to provide options and avoid judgments about those options.

It is critical that the co-operatives have access to management, design, production, marketing and financial assistance when required. Relevant individuals and organizations will, therefore, be placed on contracts as consultants to the co-operatives. The consultants could be used in two ways. The Ministry of Employment and Training may use them in assessing particular co-operatives and the co-operatives may use them through the Co-operative Adviser. The most effective use of consultants depends on a correct referral at the right time and the Co-operative Adviser will be responsible for ensuring that this is done.

It will be the role of the Co-operative Adviser to facilitate self-sufficiency and not promote dependency; therefore, the the adviser will not do the work of the co-operatives but rather help them understand what needs to be done, why it needs to be done, and how it could be done.

The Co-operative Development Program has been established to facilitate the development of self-sufficient business enterprises. The survival and value of the Program will depend on the co-operatives funded.

REPRESENTING THE REGISTRAR OF CO-OPERATIVE SOCIETIESREGISTRY REQUIREMENTS FOR EMPLOYMENT CO-OPERATIVESThe Introduction of the Co-operation Act.

The introduction of co-operative societies in Victoria was prompted by their popularity in New South Wales, particularly in the mining and industrial areas where co-operative stores were promoted and also in the dairying, fruit and fishing industries where producers' co-operatives were incorporated.

The Co-operation Act was assented to on the 23rd December, 1953 when matters relating to the appointment and the function, rights, powers and duties of the Registrar, Registry Staff and an Advisory Council came into operation.

The remaining provisions of the Act came into force by Proclamation of the Governor in Council on the 2nd August, 1954.

Types of Societies.

A co-operative society is a corporate body, formed with limited liability. It has perpetual succession and a common seal. It has power to enter into contracts to institute and defend actions, suits and legal proceedings.

The society performs the function of promoting economic and social interests for the benefit of its members.

Societies registered since 1954 under the Corporation Act fall within the following 6 categories :

- (a) Producers' societies
- (b) Trading societies
- (c) Community settlement societies
- (d) Community advancement societies
- (e) Credit societies
- (f) Associations of co-operative societies

The first society to be incorporated under the Co-operation Act was the Y.C.W. Central Co-operative Credit Society Limited, registered on 23rd August, 1954. By the 31st December, 1980, 1,445 societies were registered.

These societies were made up as follows :

Producers' societies	68
Trading societies	108
Community Settlement societies	29
Community Advancement societies	1,022
Credit societies	213
Associations	5
	<u>1,445</u>

There has been enormous growth in co-operative societies in Victoria since 1954. This growth is portrayed by the following figures.

In 1955 there were 36 societies registered with membership of 4,700 and total assets of \$600,000.

By 1980 there were 1445 societies registered with membership in excess of 500,000 and assets in excess of \$500 million.

These figures are proof of the popularity of the Co-operative Movement in Victoria.

The Procedures and Requirements of forming a Co-operative Society.

A Co-operative society may be formed by seven or more persons. Membership is open to any person who is not under the age of 18 years. However, membership may be limited to a specific bond as determined by the society's rules.

Members are required to apply for shares in the society of which a minimum of 10% of share value must be paid on application. Once again, the society's rules will determine whether shares are to be paid to 10% or fully paid.

To enable formation of Co-operative society a meeting must be held at which the Rules and a formation statement (or Prospectus) are tabled and approved by those present.

At the meeting, eligible persons apply for membership, and Directors are elected.

After the meeting the Rules and Statement together with the Statutory formation papers must then be forwarded to the Registry within two months, for formal registration of the society.

I would now like to elaborate on the formation Documents:

The Rules

Once the sponsors of the co-operative have established what kind of society they wish to form, it is simply a matter of adopting the Model Rules for that particular type of society. However, certain amendments, according to the needs of the individual society will be required to be made.

The Model Rules are available in a limited supply at the office of the Registrar. It is advisable that all amendments are discussed with Registry Officers before they are presented to a Formation Meeting.

The Formation statement.

A statement in the nature of a "prospectus" is required to be submitted to the formation meeting. - The statement sets out:-

- (a) the objects of the society
- (b) the factors which will ensure that it will be co-operative in character and operation
- (c) the reason for believing that, when registered, it will be able to carry out its objects successfully.

The objects determine what the society is actually going to do. As such, the type of society will be determined by the objects.

For example, most Registered Community Employment Co-operatives have indicated they wished to operate some form of retail outlet - hence a Trading Society has been chosen as the most suitable vehicle for their operations under the Co-operative Structure.

The factors which will ensure the society will be co-operative in character and operation are as follows:

- (a) The maximum number of shares which any member may hold is fixed in the society's rules;
- (b) Each member shall be entitled to one vote only irrespective of shareholding;
- (c) The Directors must be members of the society and are appointed by members;
- (d) Shares will not be quoted for sale or purchase at any stock exchange or in any public manner whatever.

These are the Registry's stock standard factors, I'm sure you would be able to suggest several more.

The final section of the statement is probably the most important, in that it informs potential members of the co-operatives proposals. It also must be comprehensive enough to satisfy the Registrar that the proposed co-operative is a feasible and financially viable proposition and that there are reasonable grounds for believing that the society, if registered, will be able to carry out its objects successfully.

To support these grounds the following areas should be included in the statement:

- (1) Sponsorship: for example, local council or community support.
- (2) The operations of the group before incorporation, including the length of operation, what the group has actually done and whether it has been successful or otherwise.

- (3) The interest and support in the co-operative by the community.
- (4) The proposed share structure.
- (5) The financial position - including income and expenditure statement, budgets and details of grants and other funding.
- (6) Where the co-operative premises and operations will be located.
- (7) Who will manage the co-operatives activities.

and finally (8) a statement by the Directors that :

"Competent and experienced persons are available to act as directors and secretary of the proposed society."

If at the time of registration, the co-operative intends to enter into a management or lease agreement or intends purchasing any land a separate statement to that effect must also be submitted with the formation papers.

If the Registrar is satisfied that there is no reasonable cause why the society should not be registered - he will register the society and its rules and shall issue a certificate that the society is incorporated under the Act.

Once again, it is advisable to discuss the formation statement with an officer of the Registry, before presenting it to a formation Meeting.

Operation and Control of a Society.

The control and management of co-operative societies is vested in the board of directors.

The Directors must accept responsibility for the society's operations and for the proper compliance with the requirements of the Act.

The board is responsible for complying with the following general requirements:

- 1. Submitting annual audited statements to the Registrar.
- 2. Ensuring the correct books of accounts and prescribed registers are maintained.
- 3. Notifying the Registrar of any change in the society's Registered Office or in the Board of Directors.
- 4. Making sure all the required notices are sent to members.

5. Ensuring all alteration of rules are registred, by the Registrar.
6. Holding directors meetings at least on a quarterly basis and holding annual meetings.
7. Keeping and confirming of minutes.
8. Ensuring that society funds are applied and invested in accordance with the Act.
9. Ensuring a Fidelity Guarantee Policy is taken out over officers having the receipt or charge of money.
10. Ensuring society auditors are approved by the Registrar.

This list could be added to and discussed all day. However, it is my suggestion that all existing and intending officers and directors familiarise themselves with the Co-operation Act, Regulations and Society rules, to ensure that the co-operative is not contravening the statutory requirements and thereby leaving it and themselves open to prosecution.

The New Co-operation Act.

It would be remiss of me, when discussing the Registry and Statutory requirements of co-operative societies, not to inform you of the current progress of the new Co-operation Act.

After assessing suggestions to amend the Act, a draft proposal has been prepared by officers of the Registry in consultation with the parliamentary draftsman.

The draft proposal is currently under review following further submissions received from the Public after release of the draft.

Once all submissions have been considered by the Registrar, a Bill will be drafted for presentation to the Spring Session of Parliament.

The Draft Proposal contains 254 sections and three schedules compared to the present Act which contains only 116.

It is not my intention today to review the entire proposal, however I have selected 10 areas of the draft which I consider relevant to Community Employment Co-operatives.

1. At the formation meeting detailed estimates of anticipated receipts and expenditure of the society for the first two financial years must be presented. Also to be presented is a statement by each of the proposed directors and officers of the society that he is qualified to perform the duties of the office and will discharge them competently.
2. Membership of the society is to be extended to include persons over the school age, which at present is 15 years of age. However, persons between the age of 15 and 18 cannot hold any office of the society or be a formation member. (Problem encountered with the age of majority.)
3. Societies will be permitted to invest in Building Societies; however, a society will not be able to invest in any other society unless it has first obtained the approval in writing of the Registrar.
4. No person over the age of 72 years shall be elected as a director of the society.
5. Only one employee of the society may be elected as a director. A director who is an employee will not be eligible to be elected as Chairman.
6. A director who has a direct or indirect interest in any contract with the society must declare the interest to the board. Any declaration must be minuted. A director shall not vote upon any question in which he has a pecuniary interest.
7. A director shall not be paid any remuneration for his services as a director unless the fees are approved at a general meeting.
8. Stringent provisions, similar to those contained in the Companies Act, with regard to Accounts are included in the draft. However, there is also provision for relief from requirements as to the form and content of accounts and reports.
9. All Co-operatives registered in other states must register in Victoria as a foreign society.
By the way, if any Victorian Co-operatives are operating interstate, they must apply to the Registrar of that State for approval to carry on business.
10. A warning to directors and officers, all penalties have been increased and it is the intention of the Registrar to prosecute all future offences.

Conclusion

In conclusion, I would like to emphasise that it is imperative that from the inception of a society, responsible and proficient personnel are elected and appointed as directors and officers.

These persons should be prepared to encourage member participation as well as being able to ensure all statutory requirements will be adhered to.

If a society is managed and organised in a competent and an efficient manner, and, if interest is maintained by the members, I believe all community employment co-operatives will be successful.

Finally, I wish to thank the organisers of the Workshop for the opportunity of conveying to those present the Registry requirements of Co-operative Societies, and in particular Community Employment Co-operatives.

EMPLOYMENT CO-OPERATIVE DEVELOPMENT IN NEW SOUTH WALES

as seen by

MICHAEL DONOVANCO-OPERATIVE MANAGEMENT ADVISERDEPT. OF YOUTH AND COMMUNITY SERVICES, NEW SOUTH WALES

I'm not going to do much in this first paper to allay your fears that you are getting into areas of great responsibility not only in the management of cash but also in the management of people's futures. I'd like to start off by explaining to you some of the background of N.S.W. programme.

BACKGROUND

The concept planning was started in late 1978, when a gentleman in the N.S.W. Government went overseas and saw Worker Co-operatives in Spain, France and England. He came back and \$250,000 was allocated to a feasibility study to assess the effect of such a programme on the unemployment situation in N.S.W. An internal paper was written and came out indicating a programme of Worker Co-operative development would be one of the great panaceas to cure the unemployment problem. It's now been proved that is not going to be the case for many years to come but it certainly laid the groundwork for an effective base on which to influence people in an alternative Worker/ownership corporate structure. In 1970 the Government granted \$3 million over three years as a fund to develop this concept. They overlooked the fact that capitalisation takes place in the first quarter of any operation, and they allocated a million evenly over each year. The programme officially started in February 1979. Some planning was done and committees set up.

In this last twelve months we've set an organisational plan to June 1982. It's the first time that a corporate plan for the programme has been done in the three years, and we feel that if you can sit down and do some sort of corporate overview for Victoria, then your own local development plans will go a long way to

Remember, a lot of the people on the Board are going to be yourselves, your own workers and if you don't have a financial background you must know how to read a profit and loss statement, you must know how each division's going, you must know your debtors as against your creditors as against your sales. The report we've come up with has about 500 computations in it. It's useful because the actual cash books and the way the books are balanced have to be set up in such a way that this information is always available. If they don't the books are not set up right - and we'll go out and show the Cooperative how to set them up. A full explanation sheet goes with it - once again in very simple terms. We use things like "Direct Expenses" and "Indirect Expenses". Three or four years from now, we might have a much more streamlined version of it but for a new group startin up its exactly what is needed. It's verifiable against the bank reconciliation and balance sheet so that we know that no-one's pulling the wool over our eyes with the money either. It's very important - because a member who has put his equity in accrued hours or equipments wants to know how his money is being protected. If he can get hold of a monthly report, he can see how the society's going and that his money is secure. You must have a promotional plan. People tend to generally lump P.R. into the promotional, advertising and marketing sphere but they are all quite separate. So I split them up. You must have a marketing plan. You must have an advertising approach. You must have a public relations image that you want to project. It's not an image that's projected from the Board, it goes through all the members, all the way down.

SUPPORT SERVICES

Don't be too embarrassed to use other people's expertise. That's what co-operation is all about. Use other people's expertise. It's the way that successful businesses are built and, after all, a co-operative is certainly a business, it's no different from any other business. People outside your group don't perceive you as being any different from anyone else as far as the products and service

avoiding the problems that beset the N.S.W. programme. Pick the good pieces out of the N.S.W. programme but you should be aware that it was and is a long hard struggle because it was the first of any of the programmes in Australia. Everyone else can learn from it but don't rush into it unless you've done some very substantial planning for the whole of the State and then for each of your local areas.

PLANNING

When you are looking at any sort of planning, either at the State or the individual level, you've got to have a look at how the funding allocations are going to be spent, how you are going to divide up your budget, what structures you've got to manage the Cooperative and manage the money, and that goes from the board structures through to the middle management right down to the membership. You've got to have your objectives outlined very very clearly in very simple language. Get away from the normal paraphernalia of management talk and computer terminology that leaks into our language these days. Keep it simple so everyone can understand it. Keep it fairly terse. And make sure that when you go into any of the enterprises, that you are in premises that are going to suit you for the next three to five years - you don't want to be shifting in 18 months' time because you'll lose production. You'll also find that the cost of premises have gone up in a lot of areas. It's a very very bad thing for a fledgling business to be shifting its premises under two years after it's been started because it really tears you apart. The emphasis on financial accountability and financial reporting I cannot over-emphasise, it's extremely important. I have provided to Bill Rawlinson of the Cooperative Federation a sample of our new financial reporting which will be starting next month and when the end product is finished I'll send some down and they will be distributed. You must have forms that will be easily understood, even if they have too much information in them. It's no use having an accountant who is on contract or a bookkeeper who can provide all these lovely facts and figures if the people who are sitting on the Board can't understand them.

you supply. It's just the way you go about producing them, the way you go about managing yourself. People aren't really concerned about what sort of analytical style you have when you're deciding how to manage the Co-operative. All they are interested in is can you supply the product to them at the right price and can you keep up the supply. People will shy off and run for cover when you walk in and say "Good day Mr. Bank Manager, we're from the Co-operative Society, we want a loan". They'll crawl under the carpet, because they don't know what you're about. But if you've got a good P.R. image, if you are looked at as being solid investment, you can go in and educate them. In N.S.W. we have the Commonwealth Development Bank, I suppose you have the same thing here, it took me three hours one morning to explain to their Head Loans Officer exactly what we were all about and there was a legal structure. He's quite happy to deal with us - the problem is that all the field people don't know. So we've got to approach it until we educate them all. People don't know who you are and what you're about, so you've got to have some information to tell them and that you're normal business, it's just internally you work differently.

COMPOSITION OF A BOARD

We found one of the big problems we had was with the Board structures that were set up by the Department initially going out promoting boards out of the welfare sector and also from the periphery of the business sector in each of the communities. Unfortunately that didn't work because the people who come from social welfare backgrounds don't have the business skills that are necessary to set a co-operative up. Certainly they've got the theory of how to deal with individuals who have been unemployed for a year or more - we've found out that anyone who have been unemployed for over 13 weeks has really got bad psychological problems and these people must be considered as special and their effect on the rest of the Co-operative's activities and operations must be costed.

In N.S.W. - we try to get at least 3% out of the surpluses of the society fed back into it by way of internal training and education and that's basically a help to those people that really need to be brought back into operating under an eight hour day or 40 hour week.

So the Board's very important. An accountant, a local business person - that is an active business person or one who has just retired from business, are valuable directors. People who've done badly in business can be a pretty good source of information to you, as long as they know why they went bad in business. Chamber of Commerce is a very good source for you to get people from - certainly from local council, development officers are quite good for research people - basically people who are prepared to sit on a board and are prepared to work. It's no use people saying "Gee, we're on the board of the local Co-operative Society, we spend two hours a month giving them advice". That's not what you want, if they can give two hours a week, they are getting closer to the sort of input that you should expect from them, and that they should expect to be asked. You are looking at people who, in the initial stages, are setting up the group and can really give you a lot of first-hand help and experience, contacts, who to go and see and how to approach a thing, can educate you in business jargon. People's first impressions are very important, We had one group who was going very badly, simply because they thought that the way they worked in the factory was also the way they should go and see the buyer at Myers. Once again it's image - you've got to tailor yourself, you've got to meet their requirements, otherwise you are competing against a system that could roll over the top of you.

THE MANAGER

The qualifications of the Manager you appoint are very important. A Manager must be someone who's prepared to take advice, prepared to take criticism,

probably a lot of criticism, if you have several divisions within the society, who doesn't give favours, who can be neutral. I don't believe that a Manager should have the right to vote at the Board level. He should be like a company secretary, who advises the Board as one of their executive arms. He must be able to read balance sheets, construct them, to pick out the salient points of why things are going bad, do cash flow forecasts and stick to them, change them whenever necessary. Generally be prepared to do a lot of thankless work - and he should be remunerated for it because Managers take on a lot of responsibility. Selection of management is extremely important. Some people say - "we have a rotation management". It doesn't really work in our experience. You can't have a person in the job for six months and have another person take over. You have to have continuity in management - that goes through all business structures and into the political sphere as well.

FUNDING IN NEW SOUTH WALES

In N.S.W. we give research and development grants to set people up in the initial enterprise. We have interest free interminable loans, we offer overdraft facilities through the Co-operative Federation of N.S.W. We are shortly instituting loan guarantees, we are hoping to set up the first structures of a Co-operative Bank within the next six months. It will be very small, it will re-cycle the limited amount of money we've got left and we have a very stringent set of conditions on funding. There is a questionnaire that must be filled out with about 87 questions. It's the sort of document that if you fill it in and it's accurate you could take it to a bank and drop it on the bank manager's table and he has a full history of all the people you employ, what they earn, what enterprises you're in, how much it's earned, what's your profitability, your forecasts, what your budget's going to be. It tells about the premises you're in, how you re-cycle your money through a system we call the internal finance system. It's a whole

picture and it's virtually like taking along your end of year audited statements to the Registrar. Attach this to it and it's a history of what you've done in the last year and what you propose to do next year. It has been very very useful. There's the financial report that comes in monthly which I said I've given a copy to Bill Rawlinson. We're becoming even stricter in our funding guidelines. The new ones were set two weeks ago because we are now getting to the point where there's 12 months left in our programme and we've got to make as many of the 15 groups as viable as possible. We think about 80% of those will be O.K. by June next year and we are trying to manage our cash so that we have a little bit of assets to give them to flow through till Christmas 1982.

ADMINISTRATION

The programme is administered through the Department of Youth and Community Services through the Worker Co-operative Development Committee which is comprised of two representatives from the Department, a representative from the Co-operative Federation of N.S.W., myself, the Trainer and Education Consultant and three elected members of the Worker Co-operative Programme in N.S.W. The Funding Submission Committee is made up of an accountant from the Co-operative Federation of N.S.W., myself and a departmental representative, so ours is very small in comparison to yours, that is we have the Government's view, a management view and a financial view. What happens is that someone submits to that committee, that committee analyses it and passes it on for approval or rejection by the development committee. If it's approved it then goes to Treasury for the amount of money to be drawn, the administration of it after that comes under the advisory unit that I control.

The advisory unit was established in April 1980, consisting of myself working under the auspices of the Co-operative Federation of N.S.W. We then expanded it in December to take in a training and education officer and a secretary to

provide services to us both. We use all of the outside agencies we can get hold of, small business agency, Commonwealth Development Bank, Decentralisation Incentive Schemes etc.

EDUCATION AND TRAINING

It's unfortunate we didn't put on a training education person about the same time I started in April 1980 because we now find that we are badly behind in providing training education skills to the boards, to management, to members. We are now doing it on three levels. Basically it covers principles of Co-operation, the practice of it through history; Worker Co-operatives meaning the job creation and job ownership type Co-operative; the Co-operative movement within N.S.W.; developing organisational structures, planning and policy making, decision-making and how to hold meetings, how to allocate funds, how to acquire resources, how to relate to the outside community. It's a complete kit on an introduction to business, business structures - also other people in business - owners and workers, how to make business decisions and the legal factors in business. They are all produced as kits and the first ones will be ready at the end of next week. So all those services are provided, not only to board members (because we have to educate the Board people from outside to let them know what we are about) but to management, so that they know they are doing things in the best interests of the society and to members, particularly new members that are coming in. Many people do not know what a work co-operative is supposed to be so there's got to be an induction process and that continues on as to what they do with surpluses and how they manage themselves.

IMMEDIATE CHALLENGE

The overall organisation plan for N.S.W. which we did about six weeks ago is going to be very hard to meet. In actual fact it will provide an on-flow for about three years. We are hoping that what will happen because the effect of this programme already should influence the State Government to allocate more money to it for another three year period. If funds do not come from the

State Government funds will come from outside. For that second three year period though, the funds will not be going into the 15 groups operating currently but going to the establishment of a new set of groups. What we have to do is have as many as possible financially viable by June 1982 and into the market place for normal funds from outside. An example of our guidelines becoming more strict is that we provide people with 20% equity for a business and require them find the other 80% from the commercial world outside. It's going to create some problems but they can do it. They have to pay current loans money back to the internal finance system - they've set that up and now know how that operates. They might, therefore, start paying it back to the finance house outside, accepting the interest. So they've got to start working in a real world.

The job I'll be doing in the next year is mainly acquiring external financial sources for the N.S.W. Co-operatives. People are prepared to give money, it's just that you have either got to take it in parcels of \$50,000 or \$250,000. You might say, where's the problem? It is really a problem because the rate of interest they charge for it and if it sits in the centralised banking system that's been established, you don't earn as much as what you are paying, so we have to get it out there, working for us. I'm also trying to do an overview of a marketing approach for the whole of N.S.W. We don't want to build fences round the boundaries. It would be fantastic if co-operative marketing could overflow to any of your groups because we've got products and services we want to sell to other people and we've got the capability of selling other people's products as well. We have three or four retail outlets and more will be established in the future.

We are very keen to get more research and development grants going, particularly for manufacturing enterprise. We believe those enterprises are the ones where the Co-operatives in N.S.W. have got the best chance of success

in small manufacturing. We found the service industries are really one or two people businesses and they should be left there, left to the individual entrepreneur to do it. If you can get a business that will support 5 or 7 or up to 20, by getting into turnovers in excess of \$300,000, you can then start paying your overheads. When you have to develop a whole programme which has been structured so that you have a board, an employed development manager (and they run about \$19,000-\$20,000 a year) with a mark-up on your products of 10%, you need to be turning over a quarter of a million just to pay the overheads - so it's a top-heavy structure currently. In the final year we will be promoting very good worker ownership and more job creation within the programme. If anyone survives under the proposed new Co-operation Act in your State, they're going to be good businesses all right but I believe, and so do most of the people in N.S.W., that we need to cut the red tape as much as possible whilst staying within the guidelines.

RANGE OF BUSINESS ACTIVITY

The businesses we're in include woodworking, fibre-glass manufacturing, furniture making, ceramics, animal rugs, forest products, plaster products, clothing manufacturing - we've dropped out of concreting (don't go into that unless you really have the expertise). Printing, laundry, accounting services, we sell to one group that has a computer that they sell computerised accounting services. That's a bit of an anathema as far as I'm concerned because you've got to get somebody who knows what the machine is doing and can read the information it gives out, I prefer to have a human doing the whole process all the way along. We sell management services, we're into can recycling in two centres in a fairly big way, domestic services we're playing out because they're the one and two person service business once again. Bicycle renovation, landscaping - landscaping has come out of lawn cutting and hedge trimming and once again that's a one and two person business to be done by a retired person or someone who has just come out of school. Apparently a lot of groups are into permaculture and we

are using that in the landscaping divisions in New South Wales. There is good money in landscaping because you've got to have people who have an eye for the lay of the land and who understand what they're doing and won't damage the environment, and you can employ up to seven people in the one group. Concrete bordering is different from concrete building, there is a machine in Wagga that's really making the group there a very good cash flow. Warehousing, home maintenance, home renovation, handyman services on a large scale, catering, demolishing, painting, floor sanding, shearing, crop picking, cleaning on a contract basis, courier services, removalists, transport - we have a truck which goes around the whole circuit and loads products for people, photographic services, a bakery we are about to get into, we manage pools on behalf of councils and run the kiosks for them during summer, craft shop, bread vending, takeaway food and clothing and health food retail outlets, so there are fifty-one businesses all told amongst the fifteen groups, they might lose six next week and pick up another twelve in two or three months, they fluctuate back and forwards.

CO-OPERATIVE ADVISER

The role of the Co-operative Management Adviser is extremely difficult. You find that people try to play you off one group against the other because they think you can influence the funding. You need to have an enormous range of skills, the ability to learn faster than the people are able to absorb the information. You need someone who is prepared to do far more than the contracted hours they are supposed to do, you must provide them with enough back-up support to carry out the job too, that's very important, and that usually means extra overheads and I know the Government always ducks for cover when you say that but they must be well supported in the services otherwise it's ineffective. The person you are looking for certainly must have good financial skills, probably a couple of trade qualifications if possible, has been in his own business at least twice, you don't want someone who is a

theoretician he's got to be some one who is extremely practical, someone who is prepared to do a lot of travel, someone who is prepared to be very firm with groups and say "look if you do that you are going to go broke" and there are no two ways about it, you can predict within sixty days the effect it is going to have on their cash reserves.

The Adviser should be the person who also has a great input into future policy and procedural matters because they are the person in the field, but if they're going to say "okay, this is what I recommend as far as policy and procedures" they've got to back it up with very good arguments for and against what should happen. They're a person who is really on the spot a lot, they have very few friends, a lot of masters particularly because they are serving everyone in the business, but it is a very satisfying position so if you can get someone who has the qualification you are after you will be very fortunate and they are someone who should be nurtured and looked after as well, they've got to be able to relate and get feedback. The person who is in that job is only as good as the information they have been given and the responses to what they are doing are being carried out. It's a two-way flow only otherwise it's totally ineffective.

INTERNAL DEVELOPMENT

We have now set up a system of sub-committees which are a group of committees which really work. Every Development Manager has a specific skill and several general sub-skills and we have constructed nine sub-committees on which it is obligatory for them to serve in rotation. We have a Marketing, Advertising and Public Relations sub-committee. Although there is a programme overview of how it should be going they're the ones who have to do it and they do it in consultation with all the groups. It was very hard to get them to come to meetings so we use the Telecom ten person link-up. Instead of bringing people from Wagga and Armadale and Taree and Fairfield into

the city for a day's meeting we have a three hour meeting on the telephone and it costs about \$60, they don't lose any productivity and the sub-committees have no excuse not to meet because we can do the link-up from our office on their behalf and sit in and listen to what they're doing and give them advice. We have a Design and Technology sub-committee, a Human Relations sub-committee, one which deals with the trade unions, another one that does all the information and writes the handbook. So if the structure for the programme, or the advisory unit is abolished at the end of the period, they have their own internal structure which will be able to carry them through with support services built in.

Some very important comments were made this morning that you are not there to ask favours of anybody. Don't expect them because you will find that they are not given to you. Those who do give you some favours you will be suspicious about because usually they want a pay-back out of it. You are setting up a business which you own and operate and have all the control over. You shouldn't go and ask favours from anyone because the business world doesn't ask favours from anyone else. If you can work on their terms you will find you will do a lot better than going around cap in hand. In N.S.W. we have no restrictions to access of any information or expertise. We do sell our services to groups within the programme or to another programme. We are very cheap. To anyone else outside we are fantastically expensive because we have got the expertise. We will give you as much help as we can. We don't think everything we've done has been spot on, we've had some catastrophic things happen but we've learnt a lot out of them. Expect failures in your own group, they will happen, and there's almost nothing you are going to be able to do about it. Within our programme in New South Wales we've got about an 80% success rate with the businesses we set up. Usually you only get a 20% success rate in small businesses, if

that. The amount of money we have saved the Federal Government in unemployment benefits is over the half million dollar mark at the present time. So far we are creating jobs up there for round about \$6,000 a head which is against \$16,000 in the commercial world, that's about seven times cheaper than any other Government programme before. I would say that that's probably going to rise to at least double that by the end of the programme because we will have some groups that will fail and people will rationalise and come back. We will have built a base, we believe, in the N.S.W. programme where people will have solid businesses so that when they get to be quite large they will divide them. Like an amoeba they can become two work co-operatives and those two will become four. We are very active in thinking about groups, proprietary limited companies or small business that are going to the wall for one reason or another that we'll go in and sell conversion kits to convert them into worker co-operatives. In effect what we will do is stop the people in those groups becoming unemployed, we will go in and show them how to run their business. We've got that capability and something that you people could think of as well.

DEVELOPMENT OF ONE EMPLOYMENT CO-OPERATIVEIN NEW SOUTH WALES

as seen by

MS. PATRICIA CARRARO

ADMINISTRATOR

NEWCASTLE WORK CO-OPERATIVE

Firstly I would like to give you a brief history of the Newcastle Work Collective. We haven't been registered yet as the New South Wales Registrar works very slowly.

BACKGROUND

In 1979 the Newcastle Unemployed Work Co-operative was formed. It wasn't really a Work Co-operative as we know it or what we'd hope it to be, it was more just a drop-in centre for the unemployed with close connections with the C.Y.S.S. scheme. It provided casual work and supplemented member's unemployment benefits. It collapsed after about six months. The main reasons it failed was, firstly, the Co-op. was never the sole provider of income to its members, there was no regular attendance and a reliable pool of workers couldn't be maintained. The second reason was that they didn't try and specialise in any specific areas; in some areas they had skills and could obtain skills but instead of following this up they just undertook any job that was offered to them which resulted in dissatisfied customers, union problems and financial losses. There was also no administration, management structure, planning, costing, etc. Not surprisingly it collapsed. After six months had elapsed a new management committee was formed who were aware of the problems faced by the previous Co-op. They appointed a Development

Officer and Administrator, and that's Newcastle Work Collective today.

WORK AREAS

Currently we are involved in five different work areas.

First work area is gardening and lawn mowing services.

We are involved in private and Government contract work,

it's been operating about fourteen months and has two

full-time workers. We have a policy of incorporating formal

training wherever possible and we send our members to a land-

scape and gardening course. We are in the process of expanding

this area at the moment to include landscaping and intend to

employ more workers.

Work area Number Two is an Office Services Business which offers

typing and office work to private individuals and also does work

for work areas within our group and the Co-operative as a whole.

There are possibilities to expand this area to include Bookkeeping and Management services.

Work area Number Three is an Arts and Crafts shop, it is called

'The Craft Work Co-operative' Initially it was started to provide

an outlet for unemployed people who had completed C.Y.S.S. hobby

courses with some outlet. Membership is currently 125 we have 50

full-time members and 75 part-time members and if anyone really wants

to know about it I will explain the difference later on. A

combination of skilled and unskilled craft people is involved. Our

future plans here are to operate a workshop which members can use and

where training can be provided.

Work area Number Four is the 'International Affair' Restaurant.

This operates through a licensed club and offers a full a-la-carte

menu and specialises in function catering, it has been operating

about eight months with a few ups and downs but at the moment is

operating quite well. We have three full-time and one part-time member.

Work area Number Five which has just started up is the Acme Clay Company and is a ceramics manufacturing and distribution venture. The Co-operative built a kiln and has also provided other equipment to use as a base for this venture. It is basically involved in production and distribution of pottery through our Arts and Craft shop and any other outlets we can find.

PROBLEMS

Newcastle has had many problems, it has been a total learning process. Personally, I feel that these problems have stemmed from one overall problem and that is how to operate a self-sufficient local co-operative and maintain the social objectives of the movement. There are many problems that I feel have flowed from this:

(1) Recruitment of Suitable Members

There is a conflict between the social aims of using the least skilled and less motivated people and the practical means of what type of people you need in a co-operative. Many people cannot work in the co-operative structure, they need the autocratic chain of command and they lack the ability or the desire to be involved in decision-making, and especially in group decision-making which is different.

(2) Efficiency and Productivity

The ability to compete with people outside members had to become aware of what standards were expected of them and how to obtain these standards.

(3) Problems Finding Suitable Business Ventures

Ventures that are labour intensive, cost effective, financially viable and at the same time improving the quality of life which is one of the social aims.

This is a big task and we have had a lot of problems just trying to find business that fill some of those criteria even more difficult trying to find ones that fill all of them.

(4) Public Acceptance

We have problems getting acceptance from the public on two levels, firstly as an alternative work structure and secondly and most importantly to get acceptance and credibility that we are an organisation that can efficiently provide some of the goods and services that the community needs.

(5) Problems Associated with Management Committees

Trying to obtain a good balance on the management committee is very important. Ensuring that each work area or division has equal representation but also that the committee members work for the good of the Co-operative as a whole and not just for their individual work areas. Our major problem at the moment is how to be self-sufficient by the time the funding, as we know it, ends in July 1982. We are facing problems associated with getting enterprises operating in the way which they can financially support the Co-operative, in other words, getting the enterprises collectively to cover the running costs of the Co-operative.

Ventures under consideration at the moment are a catering contract with Newcastle C.A.E., a concrete construction

business, retail outlet for landscape and nursery supplies, a takeaway food outlet, training workshop for the arts and crafts and management and accounting services business. Another project is an analysis of establishing a crushing plant for precious metals, lead etc., it can be done on a very small scale. I suppose a lot of you have read Schumaker's "Small is Beautiful" which lists such applicable enterprises to us. Hopefully if we can get about four out of the six of these ventures operating efficiently we will be self-sufficient by the time funding ends.

ACHIEVEMENTS

We have provided benefits both to the community and to members. I will talk about the members first, because let's face it, that is what a co-operative is, members.

The Co-operative has created full-time jobs for people who would have had difficulty in obtaining employment in the current economic environment. It has given members more control over their work life than they would have in most employment situations. It provides a means by which members can develop their own work areas through the co-operative structure and I feel, we have happy members who are contented with their work.

Benefits to the community include increased economic growth by establishing new viable business ventures. Secondly, we have made productive use of Government funds. We have been able to use Government funds to create business enterprises which result in a multiplying effect on the funds. As we use the funds mainly for capital expenditure it creates more saleable goods and services for the market which in turn generates more income for redistribution in the system.

A systematic approach to starting a business and how to establish a simple effective bookkeeping system.

BY

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Introduction;

-faced with a wide range of problems in an ever changing environment the need for a "business-like" approach cannot be overemphasized.

Why does your Co-operative need to adopt a "business-like" approach?

1. Long-term survival
2. To meet all legal requirements.
3. Present Government funding arrangements do not entail permanent long-term financial support. A viable self-supporting business must be established.
4. Promoting harmony and trust within the co-operative.

Ways in which the inexperienced or incompetent businessman reveals his shortcomings;-

- inadequate market analysis
- poor location
- inadequate promotion and advertising.
- over extension of credit.
- inefficient use of time.
- failure to insure against possible risks.
- inability to motivate employees.

What are the main reasons for smaller businesses failing?

1. Failure of owner/manager to seek appropriate expert advice.
2. Lack of financial planning both for the short and long term.
3. Inadequate and inaccurate financial records.

Analysis of and response to the major reasons for failure;

1. The failure to seek expert advice.

-running a successful business means dealing with a diversity of problems. Outside advice should be sought when the skill or experience are not possessed by members of the business.

What sort of advice can you obtain from an accountant?

1. Assistance in planning and registering a new business.
2. Sources of Finance and how best to obtain the required funds.
3. Alternative business systems;
 - Appropriate basic records for the specific type of business undertaking.
 - Control systems to reduce costs and losses.
4. The effective management of working capital.
5. Implementation of credit and collection policies.
6. How to plan for, prepare and make effective use of budgets.
7. Responsibilities for income tax, sales tax and payroll tax.
8. Other areas.

2. A systematic approach to starting a business;

Objective; To emphasize the importance of seeking relevant information and for careful planning particularly before making a final decision to commit funds and commence operations.

What are the essential things to determine in order to get a good start in any business venture?

1. Determine if a real business opportunity exists.
 - the market place must be carefully researched, "gut" feel is not adequate nor is just a good idea.
2. Management ability and background
 - the need for a long prior apprenticeship.
 - managers have good overall ability in the many facets of business.
3. Adequate Capital and Credit.
 - the need for members of the co-operative to make a financial contribution.
 - when assessing the need for funds, as well as money for plant, machinery, tools and equipment, do not forget funds for working capital. i.e. funds to meet your day-to-day ongoing commitments (wages, electricity, telephone, etc.)
4. Other important factors to consider;
 - (a) if an industry is easy to enter, then it may only remain profitable in the short-term.
 - (b) important to develop a good spread of business
 - do not always expect to rely on a single product.
 - do not become dependent on just a few customers.
 - (c) identify all possible business risks and take out appropriate policies to cover the insurable risks.

(Some policies are compulsory e.g. workers compensation, third party for motor vehicles. Some risks you may decide to cover yourself but a Public Risk Policy, along with Fire, Theft and Consequential Loss Policies might be considered essential. Seek expert advice from an insurance broker regarding your precise needs.

The Business Plan:

What is a business plan?

- a detailed, well researched and rational explanation as to the precise objectives of the business
- should be in writing.
- outline how the business intends to accomplish it's objectives.

Why is a business plan needed?

- to set out the future course or direction of the business.
- as a reference point for the day-to-day decisions.
- to gain better advice from professionals.
- lenders of money are more confident as to your ability to eventually repay them, when future plans are quantified in a meaningful way.

What should your business plan contain?

1. A statement of business objectives; a list of specific targets.
 2. Product(s) and/or services you intend to market
 3. Details of market research undertaken to establish that a real need exists and that there is a place for your business in the market.
 4. How you intend to market the product or service.
 5. How the business will be established and administered.
 6. Intended production and acquisition methods.
 7. Details of any advance orders received.
 8. Details of the personnel required-outline skills and experience required.
 9. Projections of (i) cash flow
(ii) profit and loss
 10. Capital requirements of the business.
3. How to establish a simple effective bookkeeping system.

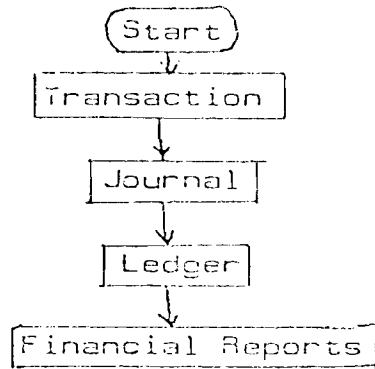
Note; Each co-operative should be prepared to tailor the basic system presented to meet their own specific needs.

Why should every business establish a system of bookkeeping?

- legal and stewardship requirements
- to determine whether the business is in fact profitable.
- to provide a basis for making rational business decisions.
- "good record keeping leads to long friendships".

Pacioli (1494).

Overview of bookkeeping system.



How do we determine the profit or loss for a period?

Profit = Revenues [Cash + Credit] less Expenses [Cash + Credit]

Recording the Sale of goods or services.

- Cash sale (Receipt to customer)
- Credit sale (Invoice to customer)
[Separate account card for each customer]
- Sales tax on certain items

Recording Sales Returns and Allowances.

- if prior cash sale (Sales slip "Refund" to customer)
- if prior credit sale (Credit Note to customer)

The daily procedure for handling cash received.

- importance of written records indicating the source of the cash received.

(a) Cash Sales - Cash Register tape or Duplicates in Cash Sales Book.

(b) Cash/Cheque received for previous sale on credit. -
Cash receipt to customer; Customer's Account card credited.

(c) Sundry Receipts of cash - Receipt to customer.

(d) Sales Returns and allowances adjustments - Duplicate of Sales slip marked "Refund".

- Bank all cash received on a regular basis; preferably at least one visit to the bank per day.

-Before banking prepare either;-

(I) A Daily Summary of Cash Receipts. or

(II) Enter the information in a Cash Receipts Journal.

- Obtain a large deposit book from your bank; as the details for a large number of cheques can be recorded on the one deposit slip this makes for more efficient banking and less recording is involved.

Recording the Purchase of goods or services.

- *-Purchase Order -one copy to supplier, retain duplicate.
- importance of checking goods on arrival
- Invoices received from suppliers.
 - compare with original purchase order.
 - -check details and extensions.
- passing for payment and a system of filing invoices.

Statements from Creditors;

- checking and paying on statements received.

Sundry Payments;

- All payments should be made by cheque(except Petty Cash)
- Limited authorization to sign cheques.
- Petty Cash;- for small expenses only
 - cash, vouchers and records to be keep in safe place.
 - need for a control procedure - Imprest System.
- payment of wages and salaries;
 - For Taxation purposes; Gross Pay, Deductions, Net Pay details.
 - Other details; Sick leave credits and amount taken
 - long service leave entitlements and amount taken.
 - holiday pay entitlements and amount taken.

Bank Reconciliations;

Checking the co-operative's financial records against the bank's statement of cash received and paid out. Any difference between the end balance on the bank statement and the end balance in the bank ledger account must be explained or reconciled.

Preparation of Financial Statements.

A statement of profit and loss for the period just ended plus a Balance Sheet on the last day of the period should be prepared at least once every year. [Normally at end of financial year i.e. June 30th]

Retention of Records;

- legal requirement that most business documents must be retained for at least seven (7) years.

Recording for Control and Decision Making;

- (a) Stock control.
- (b) Job Costing.

APPENDIX

<u>DOCUMENTS AND JOURNALS</u>	<u>PAGE.</u>
1. Cash Receipt.	7
2. Invoice.	7
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Illustration of Bank Reconciliation	16.

1. Cash Receipt

1- 8 19 80		83
Received from <u>A. DIXON</u>		
the sum of <u>ONE</u>		dollars
		cents
being for <u>BINDING</u>		
per _____		
<u>\$ 1 . 00</u>		
		DUTY STAMP

2. Invoice.

SYDNEY UNIVERSITY PRESS

Subscription Department

PRESS BUILDING, UNIVERSITY OF SYDNEY, N.S.W., AUSTRALIA 2006 Telephone 660 4997

Invoice number 5 25798Date 3.9.80

Invoice for

Journal to be sent to

MR A. J. DIXON

9 TYALLA CLOSE

LOWER FLENTY

VICTORIA

3093

PLEASE PAY PERIODICAL INVOICES SEPARATELY FROM OUR BOOK INVOICES

Journals will be sent upon receipt of payment

Your order	Quantity	Title	Period	Rate	Discount	Amount due in \$ Australian
Renewal	1	ABACUS	1980	\$12.50	-	\$12.50

3.

Cash Receipts Journal

Date	Receipt No.	Account Credited	Folio	Discount Allowed	Accounts Receivable	Cash Sales	Rent Received	Other Receipts	Bank
				\$	\$	\$	\$	\$	\$
June 25	4721	J. B. Thomas		0.32	12.75				
	4722	C. W. Carter		0.58	21.73				
	CRS	Cash sales				125.05			159.53
June 26	4723	J. T. Lamb			32.40				
	4724	Rent received (C. Ball)					50.00		
	CRS	Cash sales				105.12			187.52
June 27	CRS	Cash sales				69.50			69.50
June 28	4725	Interest received (R. Andrews)						100.00	
	4726	C. L. Black		2.90	85.10				
	4727	Loan to X Ltd (repayment)						400.00	
	CRS	Cash sales				196.45			781.55
June 29	4728	C. H. Wilson		2.35	96.60				
	4729	J. W. Wells			32.25				
	CRS	Cash sales				149.30			278.15
June 30	4730	Sale of office furniture						66.00	
	CRS	Cash sales				116.30			182.30
		(Pencilled progressive totals)		(6.15)	(280.83)	(761.72)	(50.00)	(566.00)	(1658.55)

4.

Cash Payments Journal

Date	Cheque No.	Account Debited	Folio	Discount Received	Accounts Payable	Wages	Cash Purchases	Other Payments	Bank
				\$	\$	\$	\$	\$	\$
June 25	063	Cash purchases					77.00		77.00
June 26	064	Wages				342.41			342.41
	065	Office furniture (G. Bell)						251.00	251.00
June 27	066	Advertising (LX Co.)						57.50	57.50
June 28	067	R. Stuart		4.82	140.00				140.00
	068	Mills and Co.		2.55	76.45				76.45
	069	G. Glenn		0.42	16.08				16.08
	070	B. Muller			90.00				90.00
June 30	071	Petty-cash reimbursement:							
		Travelling expenses						9.25	
		Cash purchases					11.05		
		Postage and stationery						7.30	
		Sundry office expenses						5.82	33.42
		(Pencilled progressive totals)		(7.79)	(322.53)	(342.41)	(88.05)	(330.87)	(1083.86)

5. General Journal"A" HIGH SCHOOL CO-OPERATIVE LIMITEDJOURNAL

Page 1

Date	Particulars	Ledger Folio	Dr.	Cr.
			\$ c.	\$ c.
1966				
Dec. 31	Uncalled Capital	L 26	20,000-00	
	Issued Capital	L 23		20,000-00
	Capital issued by the society in the financial year ended 31st December, 1966			
	Allotment Account	L 29	2,000-00	
	Uncalled Capital	L 26		2,000-00
	Allotment Monies due on shares issued in the financial year.			
	Advisory Council - Donations	L 13	738-15	
	Profit and Loss Account	L 19		738-15
	Transfer of donations to P. & L. Account			
	Profit and Loss Account	L 19	738-15	
	Sundry Expenses	L 16		18-15
	"Y" Bank - Interest on Loan	L 7		720-00
	Transfer of sundry expenses and Interest to P. & L. Account			

Source; J.W. Jungwirth
Registrar of Co-operative
Societies;
Memorandum for Community
Advancement Societies, p 2.

6. Petty Cash Voucher.

PETTY CASH VOUCHER	
No. 118	19.....
Charge to.....account	
For.....	Payee's Signature.....
Amount \$	Authorized by.....

7. PETTY CASHPetty Cash Transactions

19x1

June	1	Receive cheque C.363	\$60.00	
	2	Postage \$7.00	Voucher	11
	3	Fares \$2.00	"	12
	4	Tea \$4.00	"	13
	5	Postage \$7.00	"	14
	6	Fares \$6.00	"	15
	7	Freight In \$5.00	"	16
	8	Postage \$7.00	"	17
	9	Freight In \$6.00	"	18
	10	Reimbursement cheque C.780	\$44.00	

Petty Cash Book

Date	Voucher or Chq. No.	Receipts	Payments	Classification of Payments				
				Postage	Fares	Freight In	Other	
							Name	\$
19x1								
6/1	C363	60 -						
2	11		7 -	7 -				
3	2		2 -		2 -			
4	3		4 -				Tea	4 -
5	4		7 -	7 -				
6	5		6 -		6 -			
7	6		5 -			5 -		
8	7		7 -	7 -				
9	8		6 -			6 -		
			44 -	21 -	8 -	11 -		4 -
			16 -	Balance				
		60 -	60 -					
		16 -		Balance				
10	C780	44						

CASH PAYMENTS JOURNAL

Date	A/c Debited	Folio	Debtors	Cash Sales	Other	Bank	Cheque No.
19x1							
6/1	Petty Cash	605			60	60	C363
10	Postage	347			21		
	Fares	348			8		
	Freight In	171			11		
	Sundry Expenses	349			4	44	C780

8. Payroll, Wages Sheet;

Wages Sheet				
Week ended July 28, 19X3.			No 4	
Employee's No	Name	Gross Wages	Income Tax Deductions	Net Amount Paid
34	Smith	\$200	\$40	\$160
36	Jones	210	40	170
39	Brown	240	50	190
40	Grey	180	20	160
		830	150	680

Payroll

Pay period week ending 7 February

No.	Name	Hours		Earnings		Gross Pay	Deductions				Net
		Ord.	Over $1\frac{1}{2}$	Ord.	Over		Tax	Ins.	Med. F.	Oth.	
1	Abel, J.	40	4	\$ 150.00	\$ 22.50	\$ 172.50	\$ 14.00	\$ 2.00	\$ 1.00		\$ 155.50
2	Brown, L.	40		150.00		150.00	12.00		0.70		137.30
3	Doc, J.	40		150.00		150.00	12.00	1.00			137.00

				3200.00	800.00	4000.00	400.00	255.00	45.00		3300.000

*In practice the overtime calculation is usually made thus:

$$\frac{\text{Ord.}}{44} \quad \frac{\text{Ord.}}{\$165} \quad \frac{\text{O.T. premium}}{\$7.50} \quad \frac{\text{Gross Pay}}{\$172.50}$$

$$4 \quad (44 \times 3.75) \quad (4 \times 1.875)$$

9. Stock Card.

Inventory Ledger Card

First-in-First-out

Item: Rainwave Spray							Location: No 7 Rack			
Code No: 177-012										
Date	Ref	IN			OUT			BALANCE		
		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
19X5			\$	\$		\$	\$		\$	\$
Jan 1	--							70	4	280
Aug 11	MR 197	100	5	500				{ 70 100	{ 4 5	780
Sept 3	INV 7118				{ 70 20	{ 4 5	380	80	5	400
22	MR 273	100	6	600				{ 80 100	{ 5 6	1000
Nov 26	INV 7711				{ 80 5	{ 5 6	430	95	6	570
Dec 31	Stock loss				5	6	30	90	6	540

10. Job Card.

Cost Card								
Job No		82			Date started		6/5/X1	
Description		Gidgets			Date finished		15/5/X1	
Quantity		100						
Materials		Labour			Manufacturing Overhead			
Req No	Cost	Dept	Hrs	Cost	Dept	Hrs	Rate	Cost
	\$120	A	40	\$100	A	40	\$3	\$120
Summary								
Quantity		100			Materials:		\$120	
Unit cost		\$3.40			Labour:		100	
					Manufacturing Overhead:		120	
					Total Cost:		\$340	

11. RECONCILING ENTITY'S CASH RECORDS WITH RECORDS KEPT BY ITS BANK

1. Transactions with a Bank:

An enterprise keeps a record of its transactions with its bank in its Cash Receipts and Cash Payments Journals, from which the Cash at Bank account is posted. Each deposit made is recorded in the bank column of the Cash Receipts Journal and each cheque is shown in the bank column of the Cash Payments Journal. The bank also keeps a record of the client's deposits and withdrawals and makes a copy of it available to the client either in a book, called a Pass Book, or on loose sheets, called pass-sheets or Bank Statements. Thus there are two distinct records, drawn from independent sources, of the same set of transactions.

To test the accuracy of the records of cash transactions of an enterprise, it is necessary to compare these two independent records and to prepare a reconciliation of any difference that may appear.

2. Basis of Reconciliation:

If all relevant transactions are entered both in the Cash Journals of the enterprise and in the ledger account kept under its name by the bank, there will be no difference on the balance showing in the two records, except that the balance will be on one side of the Cash at Bank account kept by the client and on the opposite side of the account for the client kept by the bank. That is, since all receipts are banked and all payments are made by cheque, the cash receipts of an enterprise will agree in detail and in total with deposits of 'pay-ins' to the credit of its current account at the bank, and the payments will agree with withdrawals with which the bank debits the customer's current account. The Cash at Bank account, therefore, should agree both in total and in balance with "Client" account kept by the bank, except that receipts are debits in the Cash at Bank account and credits in the bank's "Client" account, while payments are credits in the former and debits in the latter.

3. Apparent Differences between the Balances:

In practice, however, differences often appear to exist between the amounts of the balances, owing to the incompleteness of one or other of the records involved. Thus, cheques sent to creditors are recorded by the enterprise as payments on the day of mailing, but they are not dealt with by the bank until they are presented to it for payment by the recipients. Hence the balance of the Cash at Bank account will not agree with the apparent bank balance until the cheques have been met by the bank. Another instance arises when a cheque which has been received and paid into the bank is dishonoured on presentation. The bank, in this case, will debit its client's account with the amount of the dishonoured cheque, but no entry will have been made as yet in the client's Cash at Bank account because notice of the dishonour will not be received until the bank itself informs the client of the fact.

From the point of view of the client, that is the enterprise with whose records we are dealing, the main object of preparing a reconciliation statement is to prove that the balance of the Cash at Bank account is correct, and to prove by inference, that no incorrect entry has been made in the cash records, and that every entry which should have been made therein has not only been made, but made correctly. Therefore, if a comparison of the entries in the two records discloses errors or omissions in the Cash Journals, these must be rectified before the Cash Journals are closed off and posted to the Cash at Bank account and before the reconciliation statement is finally prepared.

60

- (ii) Bank Statement

- (b) Cheques not yet presented to the bank by the people to whom they have been given. These therefore appear in the Cash Payments Journal but not on the Bank Statement.

(i) Cash Journals:

(a) If an amount has been overstated, correct the Journal by writing the amount by which the entry was overstated in red ink at the foot of the Journal e.g. In the Cash Payments Journal wages have been entered as \$90 when the actual figure was \$70. Write in red ink at the foot of the Cash Payments Journal

when the Journal is added the \$20 will be deducted.

- (ii) Bank Statement:

If an error has occurred in the Bank Statement it will be necessary to record this in the Bank Reconciliation Statement in order that it will balance.

- #### 4. Reconciliation Procedure:

(b) Obtain the Bank Statement made up to at least that date. (As a matter of practical convenience and accounting procedure, this .../15. should be done at regular intervals)

- (c) Check each entry in the Cash Journals, both receipts and payments, with the corresponding entries in the Bank Statement, ticking each correct in both records as it is checked. It is easier to work from the Bank Statement because the cheques are recorded in numerical order in the Cash Payments Journal.
- (d) Any items appearing differently in the two records must be enquired into and adjusted. When adjusted they may be ticked as having been duly checked.
- (e) Examine the Bank Statement for any entries not ticked, that is, for transactions which have taken place but which have not been recorded in the Cash Journals. If satisfied that these are correct, they must be then entered in the Cash Journals to ensure these are complete. Some of the items which might be disclosed by such an examination are:
 - (i) Interest and bank charges debited to the account by the bank. No cheques having been drawn for these, it is quite likely that they would not be entered in the Cash Payments Journal until the information is obtained from perusal of the Bank Statement.
 - (ii) Deposits made direct to the bank by debtors of the enterprise which consequently have not passed through the normal office procedure.
 - (iii) Interest or dividends collected by the bank on behalf of the client and credited in the Bank Statement.
 - (iv) Bills Payable presented to the Bank for payment, paid by the bank and debited in the Bank Statement.
 - (v) Bills Receivable collected by the bank on account of the enterprise and credited in the Bank Statement.
- (f) Any Entries resulting from step (e) should be ticked in both records when they are effected.
- (g) There may be then remaining in the Cash Journals a number of items which are unticked that is, which do not appear in the Bank Statement. These are unrepresented cheques and deposits not credited. They form the subject matter of the reconciliation statement.
- (h) Prepare the reconciliation statement, reconciling the balance appearing in the Bank Statement with the balance which appears in the Cash at the Bank account after corrections necessary from the previous steps have been made.

Illustration of the Bank Reconciliation Procedure.

B. NCELE

CASH RECEIPTS JOURNAL

Date 19x1		Rec.	L.F.	Purchase Discount	A/cs Rec.	Sales	Sundry	Bank
June 8	B. Lake	45		2	98			
	Sales					14		112
22	Sales					30		
	D. Rodgers	46		3	147			177
30	Sales					15		15

CASH PAYMENTS JOURNAL

Date		Chq.	L.F.	Sales Discount	A/cs Pay	Purchases	Wages	Sundry	Bank
19x1									
June 10	Purchases	601				30			30
	W. Quade	602		1	49				49
24	Purchases	603				10			10
28	Wages	604					80		80
	R. Trudell				74				74

CASH AT BANK

Date	Cross Ref.	Jrnl	\$	¢	Date	Cross Ref.	Jrnl	\$	¢
19x1									
June 1	Balance	-	840.00						

BANK STATEMENT

E.S.A.N.Z. - Footscray Branch

Depositor: B. Noble

Date	Particulars	Debit	Credit	Balance
19x1				
May 31	Balance fwd.			840.00 Cr.
June 8	C/C		112.00	952.00 Cr.
June 12	CBK	5.00		947.00 Cr.
June 15	601	30.00		917.00 Cr.
June 17	602	49.00		868.00 Cr.
June 22	C/C		177.00	1045.00 Cr.
June 26	DIV		20.00	1065.00 Cr.
June 29	603	10.00		1055.00 Cr.
June 29	604	80.00		975.00 Cr.

Illustration of the Bank Reconciliation Procedure;

Solution.

B. NOBLE

CASH RECEIPTS JOURNAL

Date 19X1		Rec.	L.F.	Purchase Discount	A/cs Rec.	Sales	Sundry	Bank
June 8	B. Lake	45		2	98			112 ✓
22	Sales					14		
22	Sales					30		
	D. Roders	46		3	147			177 ✓
30	Sales					15	20	20 15 ✓
26	Dividend							
				5	245	59	20	324

CASH PAYMENTS JOURNAL

Date		Chq.	L.F.	Sales Discount	A/cs Pay	Purchases	Wages	Sundry	Bank
19X1									
June 10	Purchases	601				30			30 ✓
	W. Quade	602		1	49				49 ✓
24	Purchases	603				10			10 ✓
28	Wages	604					80		80 ✓
	R. Trudell	605			74				74 ✓
8	Cheque Book							5	5 ✓
				1	123	40	80	5	248

CASH AT BANK

Date	Cross Ref.	Jrnl	\$	¢	Date	Cross Ref.	Jrnl	\$	¢
19X1									
June 1	Balance	-	840.00		June 30	Sundry Payments		248 -	
30	Sundry Receipts		324 -		30	Balance		916	
			\$ 1164 -					\$ 1164	
	Balance		916 -						

BANK STATEMENT

E.S.A.N.Z. - Footscray Branch

Depositor: B. Noble

Date	Particulars	Debit	Credit	Balance
19X1				
May 31	Balance fwd.			840.00 Cr.
June 8	C/C		112.00	952.00 Cr.
June 12	CBK	5.00		947.00 Cr.
June 15	601	30.00		917.00 Cr.
June 17	602	49.00		868.00 Cr.
June 22	C/C		177.00	1045.00 Cr.
June 26	DIV		20.00	1065.00 Cr.
June 29	603	10.00		1055.00 Cr.
June 29	604	80.00		975.00 Cr. / 18.

Bank Reconciliation Statement
as at June 30 1981

B Noble

Balance as per bank statement (Cr)	\$ 975
Add	
Deposits not yet credited	15
	<hr/> 990
Subtract	
Unpresented cheques No 605	74
Balance as per Cash at Bank account (Dr)	<hr/> 916

MR. PAUL LITTMAN

MANAGING DIRECTOR, THE IDEAS FACTORY PTY. LTD.

" IDENTIFYING, EXPLORING AND DEVELOPING MARKET OPPORTUNITIES FOR SMALL BUSINESS"

IDENTIFYING.

ATTEMPTING TO IDENTIFY POSSIBLE BUSINESS OPPORTUNITIES CAN BE A CONSCIOUS EFFORT ie. STUDYING TRENDS IN BUSINESS, POLITICS, LEISURE, SOCIET, ENVIRONMENTAL, ETC.. IN FACT MANY LARGE CORPORATIONS HAVE EMPLOYEES DOING FORCASTING AND ANALYSIS WORK FULL TIME.

SMALL BUSINESS DOES NOT USUALLY HAVE THE FUNDS TO EMPLOY AN ANALYST SO WE WOULD USUALLY WORK ON " GUT FEELINGS " IN THE SENSE THAT WE DON'T HAVE THE FIGURES AT OUR FINGER TIPS. WE UNDERSTAND THE MARKET PLACE AND FROM OUR UNDERSTANDING WE BELIEVE AN IDEA MAY SUCCEED.

WHATEVER THE IDEA A NUMBER OF PITFALLS CAN BE AVOIDED IMMEDIATELY.

FIRSTLY: DEFINE THE IDEA/PRODUCT.

* MAKE SURE NOTHING LIKE IT EXISTS (JUST BECAUSE YOU HAVEN'T SEEN IT DOESN'T MEAN IT DOESN'T ALREADY EXIST.)

* GET TOGETHER A FEW PEOPLE YOU CAN TRUST AND SEE WHAT THEY THINK OF YOUR IDEA.

* ESTABLISH THE FINANCIAL LIKELIHOOD OF SUCCESS

* REDEFINE OR REFINE YOUR INITIAL IDEA/PRODUCT TO SUIT THE FACTS (IF NECESSARY)

IF WE WERE TO SET OUT TO IDENTIFY BUSINESS OPPORTUNITIES THE TYPE OF INFORMATION WE WOULD MOST LIKELY WANT WOULD DEPEND ON THE INDUSTRY .

COMMON INFORMATION. NUMBER OF COMPANIES IN INDUSTRY.

ANNUAL TURNOVER.

PRODUCT RANGE, RELATED PRODUCTS

NUMBER OF RESIDENTS IN A GIVEN AREA

INCREASES IN TURNOVER OF PRODUCTS

LOCATION OF COMPETITION

ALL THIS INFORMATION IS AVAILABLE THROUGH EITHER THE GOVERNMENT STATISTICIAN, LOCAL COUNCIL, CORPORATE AFFAIRS OFFICE, OR BY DRIVING YOUR CAR /BIKE THROUGH THE LOCAL STREETS.

ONE OF THE BEST WAYS TO FIND BUSINESS OPPORTUNITIES IS TO LISTEN TO PEOPLE COMPLAIN.

EXPLORING:

WHEN ONE EXPLORES OPPORTUNITIES A NUMBER OF FACTORS MUST BE CONSIDERED.

HOW LARGE IS MY POTENTIAL MARKET?

DO I HAVE THE NECESSARY CAPITAL BACKING?

ARE THERE ANY PECULIAR FEATURES WITHIN THIS INDUSTRY?

AND MANY MANY MORE.

IF WE HAD UNLIMITED FINANCES WE COULD COMMISSION A LARGE RESEARCH STUDY WHICH WOULD HELP ANSWER MANY OF OUR QUESTIONS .MUCH AD HOC RESEARCH CAN BE DONE BY US AND CAN BE OF GREAT BENEFIT IN THE SHORT AND LONG TERM.

EG: IF WE DECIDED TO OPEN A FISH AND CHIP SHOP IN SMITH ST. COLLINGWOOD WE COULD ASK THE LOCAL RESIDENTS IF THEY WANTED, HAD A NEED FOR, SAW A POSSIBLE NEED FOR, ETC, ETC,

THERE ARE MANY RESEARCH TOOLS AVAILABLE AND EACH HAS SOME IMPORTANCE THE TYPE OF RESEARCH MOST LIKELY TO ASSIST NEW BUSINESS OPPORTUNITIES WOULD DEPEND ON THE NATURE OF THE BUSINESS ie.

A NEW PRODUCT -PRODUCT TESTS . THESE TESTS ALLOW FOR THE STUDY OF DESIGN, ACCEPTANCE, COLOUR AND TYPE OF PURCHASER.

A NEW BUSINESS VENTURE - WHOLESALE WOULD BEST BE SERVED BY INDUSTRIAL RESEARCH WHERE ONE WOULD ESTABLISH THE STRENGTH AND WEAKNESSES

-RETAIL WOULD BEST BE SERVED BY RESEARCHING THE LOCAL CENTRES TO ESTABLISH THE NATURE OF LIKELY CLIENTS.

RESEARCH COUPLED WITH DATA READILY AVAILABLE CAN BE THE BEST HELP YOU'LL GET.

DEVELOPING:

FIRSTLY DEVELOPE A MARKETING PLAN ,THE PERIOD OF THE PLAN DOES NOT REALLY MATTER . THIS PLAN WILL BE YOUR REFERENCE BOOK AND SHOULD HOLD TO YOUR DEFINED AND REFINED PRODUCT /IDEA.

IF YOUR IDEA WILL REQUIRE ADVERTISING A THEME SHOULD BE ASSOCIATED WITH IDEA AS SOON AS POSSIBLE IF YOU CHOOSE NOT TO USE PROFESSIONALS IT MUST BE REMEMBERED THAT A CONFUSED CONSUMER IS A NON BUYER.

YOU MUST DECIDE ON THE METHOD OF SALE ,DISTRIBUTION, PROMOTION, PRODUCT RANGE, ETC ,ETC, ALL THESE FACTORS SHOULD BE SET DOWN IN YOUR MARKETING PLAN

IT IS ADVISABLE TO SELECT A PARTICULAR SEGMENT OF THE POTENTIAL MARKET AND ATTEMPT TO GAIN THEIR BUSINESS PRIMARILY.THERE ARE TWO REASONS FOR THIS

A/ THE PRODUCT CAN BE TESTED WITH FINAL CONSUMERS TO ASSESS ITS LIKELY SUCCESS AND IRON OUT ANY BUGS WITHOUT EVERYONE GAINING A POOR IMPRESSION OF THE PRODUCT

B/ SEGMENTING THE MARKET MEANS YOU CAN ATTACK ONE AREA OF THE MARKET STRONGLY GAIN A FOOTHOLD AND THEN MOVE ON TO YOUR NEXT SEGMENT.

THE DEVELOPMENT OF AN IDEA/PRODUCT IS THE KEY TO SUCCESS IN MONETARY TERMS ,THE IDENTIFICATION OF THE IDEA IS IMPORTANT BUT THE EXECUTION OF THE PLAN IS THE CR WHEN DEVELOPING A PLAN MANY FACTORS MUST BE KEPT IN MIND .

CONSUMER WANTS, NEEDS.

NATURE OF THE INDUSTRY

IS THERE LEGISLATURE CONTROLLING THE INDUSTRY ?

WHAT IS THE USUAL METHOD OF SUPPLY AND DISTRIBUTION.?

ESTABLISH WHAT BENEFITS THE PRODUCT OFFERS.

HAVE A LIMIT IN TERMS OF FUNDS AND TIME YOU ARE WILLING TO INVEST IN THE PRODUCT

WHEN IS THE RIGHT TIME TO LAUNCH PRODUCT?

HOW DO YOU PROMOTE THE PRODUCT?

HOW WILL YOU PAY STAFF.

DO YOU HAVE SUFFICIENT CAPITAL BACKING?

ETC,ETC.

CO-OPERATIVE OPERATIONS IN VICTORIA AND AUSTRALIA
AND THE INTERNATIONAL SCENE

W. W. RAWLINSON
EXECUTIVE OFFICER

CO-OPERATIVE FEDERATION OF AUSTRALIA

VICTORIAN COMMUNITY EMPLOYMENT CO-OPERATIVES WORKSHOP

BALLARAT - MAY 23RD AND 24TH, 1981

DEFINITION

At the outset let us be quite clear in our understanding of the term 'co-operative' as a proper noun.

A Co-operative is a democratic form of corporate structure, available as an alternative to either the capitalist free market system or the controlled socialistic system and which in our economy operates as a balance wheel between the public and private profit motivated sectors. It is a form of self-help operation. A Co-operative is established by a group of people to meet their needs which could not adequately be satisfied by individual effort and whose operations benefit the community in which it operates.

The basic principles of Co-operation which are recognised world-wide by Co-operators, Governments and the United Nations Organisation are incorporated in local relevant legislation under which Co-operatives incorporate.

The four main principles of

Open Membership

Democratic control

Limited interest on Capital (which is service capital
rather than investment capital)

Equitable distribution of surplus

are enacted at Sections 30(2), 71(3), 38(5) and 38(1) to (8) inclusive respectively in the Victorian Co-operation Act. However, nowhere in the current legislation is a Co-operative defined by its essential characteristic differences from other types of business. Some people in this State consider the Co-operative sector significant enough, for this type of corporate entity, to be described as a Co-operative, rather than using that word as an adjective qualifying a society, association or company. Submissions to this effect have been made to the Victorian Government.

CO-OPERATIVES IN VICTORIA

Specific Co-operative Society legislation has been available in Victoria since 1953 and since that time Co-operatives have been required to incorporate under the Co-operation Act. Prior to that date Co-operatives could incorporate as

Companies under the Companies Act or as Societies under the Industrial and Provident Societies Act. Most Co-operatives elected to transfer to the Co-operation Act once it had been enacted. However, some major agricultural Co-operatives elected to remain under the Companies Act. Today in Victoria, we have Co-operative Companies with a nominal capital structure administered by the office of the Commissioner for Corporate Affairs and Co-operative Societies with a capital structure related to membership administered by the Registrar of Co-operative Societies.

Under the Co-operation Act provision is made for different types of Co-operative activity - viz:

- Producer
- Trading
- Community Settlement
- Community Advancement
- Credit .

Of the Co-operative Companies formed before 1953, who remain incorporated under the Companies Act, the majority are in the Dairy Industry and include such Co-operatives as Murray Goulburn, Drouin, Ibis, Camperdown, ACMAL to mention but 5 of the 9 which between them do about \$500 million business per annum.

The Fertilizer industry in Victoria is now Co-operatively owned and controlled since acquiring the relevant interests of the former two non-Co-operative businesses in this field - one of which was the multi-national I.C.I.

Co-operative companies operate strongly in the Fruit Industry, in the canning and processing business at Shepparton and fresh and dried fruit operations at Robinvale and Mildura.

Co-operative Producer Societies are represented in actively diverse areas but the biggest group are those associated with Herd Improvement Programmes. We also have a Co-operative wine producer at Swan Hill, some of whose product you enjoyed over this Workshop.

In the Trading Co-operative Society area we have some major retail general store businesses at Wangaratta, Morwell, Warrnambool. We have Co-operatives set up to provide specialised services of school uniforms at fair prices and

quality where parents, schools and the Co-operative members all benefit
- and hopefully the children wearers of the uniforms.

- Co-operative Bookshops are organised on most campuses of universities and colleges in Victoria. Some country hotels are community owned and operate as Co-operatives. Radio services for taxi cabs are organised on a Co-operative basis.

- Fishing Co-operatives along the coast also operate as Trading Societies.

- There are about 1,000 Community Advancement Co-operatives organised to perform a very wide range of community services including the provision of scout hall, parish halls, tennis, football, yacht clubs, ski lodges, child minding centres.

- There are about 25 Community Settlement Co-operatives organised to acquire land in order to settle people or retain people thereon.

- In addition there are over 200 Credit Co-operatives or Credit Unions providing consumer credit services to members in Victoria. These credit co-operatives are both industrially orientated and community orientated. The rate of growth of this section of Co-operative activity over the past ten years has been quite outstanding with total Australian assets increasing from about \$100 million to \$1,330 million in that time. The recent deregulation of Banks and their subsequent aggressive marketing and promotion of better services whilst being one outcome of the trend set by Credit Co-operatives is also a danger signal to consumers of household credit on the possible use of the increasing funds being attracted by banks being used in areas most profitable for the banks regardless of the needs of the consumers.

CO-OPERATIVES IN AUSTRALIA

- Whilst generally Co-operative activity in the consumer field is represented to a greater or lesser degree in similar form in all parts of Australia, the geographic and climate conditions and, in some cases, man-made conditions e.g. irrigation, have affected the development of co-operative agriculture in difficult areas. For instance, Rice production, processing and marketing is 95% controlled and operated co-operatively in the M.I.A. in New South Wales. 50% of the sugar milling industry of the country is in Co-operative hands in Queensland and northern New South Wales, 70% of Cotton is grown, processed -

marketed in N.S.W. A major part of the wine industry of South Australia is co-operatively organised and owned. In Western Australia for the past 50 years all grain has been collected and stored and shipped co-operatively. In recent years, South Australia was so impressed by the efficiency and flexibility of the Western Australian operations that that State followed a similar pattern in its grain bulk handling Co-operative.

RELATIVE STRENGTH AND MARKET SHARE

Statistics issued by the Co-operative Federation of Australia indicate that at 30th June 1978 there were 9,900 Co-operatives with 2.6 million members doing \$2.5 billion business in Australia.

Broken down into proportions of each mainland State these figures show

<u>State</u>	<u>Proportion of Co-operative Members to State Population</u>	<u>Proportion of Co-operatives to total Australian Co-ops.</u>	<u>Proportion of Turnover to total Australian Co-ops. Turnover (excluding Credit Unions)</u>
N.S.W.	28%	43%	30%
Vic.	12%	31%	22%
Q'land	15%	12%	14%
S.A.	15%	1%	4%
W.A.	12%	7%	20%

AREAS FOR DEVELOPMENT OF CO-OPERATIVE ACTIVITY.

Excluding the job creation area of community employment, about which this Workshop has been having detailed discussion, as I see the picture, there is room for considerable improvement in Co-operative activity in the education field - both in formal studies in secondary and tertiary level institutions and in the area of co-operative practice amongst existing co-operatives of all types. I refer particularly to director and staff training and member relations programmes. Australia is way behind other countries in this regard.

In addition to formal studies, the actual practice of Co-operation in secondary schools could improve a student's education by providing a practical experience of commerce and the application of the principles of Co-operation from which

such students would emerge with a working knowledge of an alternative business system into which they could gravitate.

There is need for improvement in application of Co-operative principles to better use of financial resources by and for Co-operatives. . . Credit Unions have for many years used a system of centralised banking. Other Co-operatives could adopt a similar practice as a preliminary stage to development of some form of Co-operative financial institution.

Co-operation in Australia has been slow to advance in areas of production. In recent years we have seen some development amongst farmers pooling their resources of production in machinery syndicates and a few Co-operative farms. We also have examples of co-operation in industry, in real terms of worker participation. Although for various reasons these are not formal Co-operatives, nevertheless they follow the principles of Co-operation of mutuality and work equity in their business. I refer to such businesses as Fletcher Jones & Staff, Siddons Industries, Modern Maid. There is evidence this business structure will become increasingly attractive to the worker and the entrepreneur..

The Green Paper on Housing in Victoria sets out some thoughts for possible Co-operative development in that field. Such schemes as:

Co-ownership of housing Co-operatives,
Self-help house building Co-operatives,
Home renovation Co-operatives
are suggested.

With development of staff resources the Co-operative Federation of Victoria will be actively studying the possibilities of these proposals.

THE INTERNATIONAL CO-OPERATIVE SCENE

The Co-operative Federation of Victoria through its affiliation with the Co-operative Federation of Australia is affiliated to the world body of Co-operation - The International Co-operative Alliance, headquartered in London, England. This organisation formed in 1895 is reputedly the oldest

international non-governmental body on the world scene. To enable its policies and services to be the better applied, particularly in Third World countries, Regional offices have been establishing in the South East Asia Region, East Africa, West Africa, South-Central America.

Statistics recently received from the I.C.A. indicate about 362 million people around the world are Co-operative members. Of these, 62 million are listed from the U.S.S.R., 58 million from U.S.A., 65 million from India, 10 million from Canada, 14 million from France, 10 million from the United Kingdom, 7 million Western Germany.

The International Co-operative Alliance holds top level consultative status with the United Nations Organisation and participates in many committees, Councils and programmes of that Organisation.

Declarations and Resolutions of the General Assembly have publicly announced support for the Co-operative way of development - particularly in Third World countries. The President and the Director General of the I.C.A. have addressed U.N.O. meetings.

Let us look at one or two aspects of co-operative activity in some overseas countries not practised in Australia but which could, with advantage, be the subject of study for possible future adaptation here.

I have mentioned Co-operative education as being a shortcoming in Australia. In most countries where Co-operative activity has any significant economic role, the Co-operative movements fund their Co-operative Colleges, in addition to education curricula and tertiary level programmes providing for learning in Co-operative principles and practice.

In France, about 2 million child Co-operators operate in about 36,000 school Co-operatives. They share in the Co-operative life in the French national school system either within the classroom or in sections of pupils clubs. School co-operatives are acknowledged by the education department, local organisations and services - a position which allows them to develop educational and managerial activities (correspondence, book-keeping, stock taking, management of joint services) - all activities which are educative from a social point of view and develop a sense of responsibility.

Credit is provided through a system of mutual agricultural credit banks at the local level for which the finance is provided by Regional Banks whose centralised source of funds is the National Agricultural Credit Bank.

In addition there is a Central Bank for Co-operative Credit which provides credit for non-agricultural co-operatives.

Workers Productive Co-operatives form one of the most important branches of the French Co-operative Movement. These started about 100 years ago but only really began developing strongly after 1945. There are about 600 of these Co-operatives in industries such as building construction, printing, telephone, electric cable, glass-making, furniture, footwear.

By pooling their labour, capital and management participation in the common enterprise such co-operative workers are the true joint proprietors. In addition to a financial balance sheet these Worker Productive Co-operatives issue a "Co-operative Balance Sheet" which is a statement of present and future human potential within the Co-operative giving details of personnel, training, information and the professional and social 'climate' within the Co-operative. It is a highly regarded evaluation and management tool.

There are about 3,000 Worker Co-operatives in Italy, and about 500 in Czechoslovakia. Most of us will be familiar with the Mondragon Co-operative complex in Spain.

In Germany, the Co-operative movement is well integrated with production, processing, marketing, consumers, credit functions, all associated with the central Raiffeisen body. The Co-operative Bank in Western Germany is the third largest Bank in the country. A requirement of Co-operative incorporation in Germany is affiliation with a central Co-operative auditing body (part of the Raiffeisen organisation). This enables specialist Co-operative audits to be undertaken and corrective action to be speedily implemented where necessary.

In the U.S.A., both Agricultural and Consumer Co-operatives have their own Co-operative Credit system; the former having been operating for over 50 years with the Bank for Consumer Co-operatives being a more recent innovation - having started in 1979. In that country, many universities provide studies in Co-operative practice.

In Scandinavia, can be seen practical demonstrations of international Co-operation amongst Co-operatives, where Governments and national Co-operative organisations of Denmark, Sweden and Norway combine in areas of international Co-operative training and aid.

Here, in Australia, in the area of international Co-operative aid, the Co-operative Federation of Australia has for the past 12 or 13 years provided training courses funded by the Commonwealth Government for overseas students. The next of these courses is scheduled for later this year.

CONCLUSION

I have tried to give you the briefest of insights into the larger Co-operative scene. By exchanging experiences and views with New South Wales hopefully we have been able to learn lessons which will help us avoid some mistakes in our development.

As part of a world-wide operation there is much valuable information available to us and through the Co-operative Federation can be accessible.

OPEN DISCUSSION

Leader: MR. MICHAEL DONOVAN

HOW DO COMMUNITY EMPLOYMENT CO-OPERATIVES BECOME VIABLE BUSINESSES?

I have been asked to act as leader or moderator but it is really up to you to get the session going. I have some topic titles with which I can give you some assistance. Let us hear your versions of how you think Employment Co-operatives in Victoria can become viable businesses. What are the guidelines that need to be set down, what have you got to do as individuals within those structures, and how do those structures need to relate to the business community themselves.

Question - R. M. Alliston

You say that you are looking for a sort of organisational structure that lets everyone have free speech and a free say but is structured in such a way that the aims and objectives of this society are still seen as part and parcel of what everyone wants. A society where management/worker consultation is continuous and where a sympathetic ear is available for listening to personal problems where, in addition to being an efficient business, we are a group in which the importance of good human relations is recognised.

Answer - M. Donovan

What you are basically trying to cater for are the needs of individuals, that people need to be recognised as part of a peer group. That is very important if you are running any sort of organisation. If somebody doesn't like the work they are doing within the co-operative they are going to start becoming dissatisfied. They need to have some forum where they can air their views and either be given the

opportunity to change the actual job they are doing, or adapt the job to suit them as long as it still fits in with the organisational structure or to be able to transfer to another division within the operation and be replaced by someone who does find that work satisfying. It is very hard if you try to draw a type of structure to get away from the line management idea where things pass up and down through seniority. What we've tried to do in New South Wales is to use the matrix system where everyone is on a plain and the information is passed across from person to person not up and down. It doesn't work all that well until people realise that when you speak up at a meeting you should be heard for your opinion and shouldn't be talked down and ridiculed. It is very important when people are relating from one person to another that they realise that everybody has an opinion that they are entitled to express. The greatest ideas that come out of think tanks are sometimes the stupidest things you have ever heard of but they connect in another person's mind and develop. If you could all consider that you do need to listen to everybody and if that may mean holding a workers forum at regular intervals so that they can discuss what's going on. They will also be the people who will come up through your own management structures. Access to someone who can let a worker give vent to their true feelings is very important. One of the groups which we have in New South Wales has a social council which can meet at any time to discuss the problems of individuals or groups within the organisation. They do have regular meetings but they can meet at short notice as well.

If you are going to have some sort of social council or social counsellor or human development person within the organisation they will have to follow some fairly stringent guidelines of what would

constitute a complaint if you want to call it that about the work area or work ethic or social aims of the organisation. I think that they can be set down in the individual society's social charter, if you want to call it that. You must be careful. Otherwise you have people playing power games with each other. If you lay down the rules and regulations of what constitutes legal or a legitimate gripe and that they can be heard at any time I think you will find that a lot of people will accept that situation. In some cases they just have to be told that that's the job currently, if you can't suit it, whether you stay or not, becomes a personal decision. It is the luxury we spoke about yesterday. What I'm trying to warn you about is, don't come to such a state where you listen to everybody and spend so much time considering everything that you lose sight of what the objectives really are.

Question -

What is the social charter you speak about?

Answer -

One group called Pipeline at Manly have a social charter that has been distributed to all of the groups in New South Wales. They have a Social Council which looks after the social aims and objectives of the organisation and recommends to management how the social aims and objectives can be achieved as well as the business aims and objectives. So what they are trying to do is to create good work for people, work that people enjoy doing, on a basis that people say I think the job that I am doing could be changed to make it more satisfactory. The Social Council looks after that, they then recommend to the management people how that job can be changed. They are a very powerful group,

they are made up of most of the members in the work teams and they have representation on the Board, they have equal say on how the business is going to operate. The Charter is drawn up as a legal document which people, when they actually come into the organisation, are shown and they agree to work under it. So once again there is a set of guidelines that are laid down, that gives the consultation process that stops people getting too upset, and starting to fragment their work area. Even Pipeline has had some problems getting it working because people in a group, until they get to know each other, are not quite open with each other, it's not human nature to reveal your soul every time you sit down and speak to somebody.

Question -

What sort of forums have evolved out of the New South Wales Co-operative movement, how much time in a working week is spent in gathering all of the workers together for that specific purpose or doesn't this happen?

Answer -

It doesn't actually happen that they say look it's 11 o'clock and it's Friday it's now time for our social counselling session. Anyone who has or says they need social consultation process can ask for a meeting to be called. Once again none of the groups are going looking for trouble, they have found out that if you go and ask people are you satisfied with the work you are doing, or the work area, they'll obviously say yes there is something wrong. But what happens is that the people aren't equating their dissatisfaction with the work area. What I am trying to say is that a lot of the people have come into the programme in New South Wales prepared to do so much work and not go over that. What the group actually needs is for the

people to put in more work effort and be more committed to what's going on. So the social council sits down with such a person and tell them why they have to do that extra bit of work or why they have to have that extra productivity. This is consultation.

In as yet we don't have a formal training education process going where people will be learning in an audio-visual presentation so the social council in effect is taking that role over and doing it for them but the education programme is well advanced.

To constitute a viable business, a co-operative business, we need all of these internal things to run it but what else is necessary that will give you the ability to compete with the people outside.

Whether you go into service or manufacturing or retailing there are certain things that are common to all of them if you are going to have a business. They become different when you actually start selling the commodity or the services to the user. That's where they change radically. I think what we should try and do is to define the word 'viable' for a start.

It has to be a lot better than breaking even. I think viability offers long term financial support to the owners and then the customers. You people are the owner/operators of the organisations, you are the shareholders, you are the members, you are the people that contribute time, money, effort, blood, sweat and toil. It's got to give you long term, say in five years time, support for your family and the other members. Do you agree with that? That 'viable' means you must have long term financial prospects. If you haven't, you've really got to start thinking about what you are doing straight away.

Secondly, I think you must have legal status of some sort. We have the same sort of questions being asked in New South Wales as in Victoria by the people of the programme as to why a requirement for funding is prior establishment of

a worker cooperative. They can do whatever they like after completing the agreed programme on which funding was made available. They can convert to any other structure they like or when they break up into another group they can take whatever structure they like. If you look at the Federal Tax Act and the Co-operation Act you would find that there are great benefits of being a Cooperative as far as keeping your shareholding into the hands of the voting membership. You're in a programme here that's funded by the State Governments for development of worker cooperatives. To consider other structures that might be useful is something you should do independently from it.

The third thing that I think you should look at is an active management committee. You must have a management committee that can supply consultation and communication or give you the information that you need, and that responds to the needs of the whole organisation and understands the business areas into which the cooperative operates.

The fourth aim should be to find a business or businesses that suit the social objectives and aims of the worker cooperative. It is essential that membership is committed and that all understand the objectives of the Cooperative and are prepared to work and contribute towards its objectives.

The fifth guideline, I see, is a well conceived and accurate marketing plan based on tested assumptions and a known market segment. The potential market should be able to generate enough turnover to meet all the expenses involved in the producing of goods or services through the Cooperative.

Sixthly, it is necessary to have access to cash or working capital and also for enterprise and development. This must be done on a commercial basis with the financial sources and these must be supported by members equity in the business (businesses).

Seven. Accurate detailed and easily understood financial reports produced regularly are essential. These should be supplied to the Board of Management Committee to enable them to evaluate the operations. These reports include bank reconciliation, balance sheet, profit and loss statements and projected cash flow for six and twelve months ahead.

Eight would be an agreed organisational plan, that is, one that incorporates the enterprise suited to the objectives of the cooperative and set out step by step approaches to the development of the business and provides "good" work for members.

Nine, I see as being good use of external resources. These include such organisations as the Small Business Development Corporation, the Cooperative Federation, Government agencies, participation in trade courses and apprenticeship schemes.

Ten would be internal training and education courses covering basic cooperative principles and philosophy, business skills (salesmanship, quoting, costing) meaning of worker ownership.

Eleven, I see as close association with other groups enabling one to learn from others experience and to seek and give assistance from and to others with the same aims.

To the above requirements I would add a need to realise that you cannot drastically change the system under which the business is conducted but in general you should be able to make the system work for you and your Cooperative. By this, I mean externally you must appear to be the same as any other business, that is, efficient, viable, but internally the control, the ownership and the management belongs to you the members.

CONCLUSION

- (1) The Workshop agreed a Committee be formed of registered Co-operatives who have been admitted into membership of the Co-operative Federation of Victoria.

The functions of this Committee are seen as

- (1) Establishment of an Education and Training Officer
- (2) Production of a Management Organisation Plan
- (3) Support services for the Employment Co-operatives
Development Adviser
- (4) Production of a regular Newsletter
- (5) Arrangements for attendance at the July Canberra
Conference
- (6) Study and recommendations on Co-operative legislation
affecting Employment Co-operatives
- (7) Representation on Co-operative Development Programme
Funding Committee

- (2) The Workshop directed appreciation be recorded to the Minister and Department Employment and Training, Government of Victoria, for their sponsorship of the Workshop and for financial assistance in meeting its costs.

- (3) The Workshop expressed appreciation to the N.S.W. Government, Department of Youth and Community Services for all the assistance and information provided and in particular for the attendance and involvement throughout of Michael Donovan and Patricia Carraro.

- (4) The Workshop viewed a video film on the "Mondragon Experiment".